1978-12

Greece and the European economic community

Butler, Frederick William

NAVAL POSTGRADUATE SCHOOL
Monterey, California

THESIS

GREECE AND THE EUROPEAN ECONOMIC COMMUNITY

by

Frederick William Butler

December 1978

Thesis Advisor: D. P. Burke

Approved for public release; distribution unlimited.

UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE (When Data Entered)

REPORT DOCUMENTATION PAGE

READ INSTRUCTIONS BEFORE COMPLETING FORM

1. REPORT NUMBER	2. GOVT ACCESSION NO. / 3. RECIPIENT'S CATALOG NUMBER
4. TITLE (and Subtitle) Greece and the European Economic Community	5. TYPE OF REPORT & PERIOD COVERED Master's Thesis; December 1978
	6. PERFORMING ORG. REPORT NUMBER NPS56-79-001
7. AUTHOR(s) Frederick William Butler	8. CONTRACT OR GRANT NUMBER(s)
9. PERFORMING ORGANIZATION NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940	10. PROGRAM ELEMENT, PROJECT, TASK AREA & WORK UNIT NUMBERS
11. CONTROLLING OFFICE NAME AND ADDRESS Naval Postgraduate School Monterey, California 93940	12. REPORT DATE December 1978
	13. NUMBER OF PAGES 261
14. MONITORING AGENCY NAME & ADDRESS (if different from Controlling Office)	15. SECURITY CLASS. (of this report) Unclassified
	15a. DECLASSIFICATION/DOWNGRADING SCHEDULE

16. DISTRIBUTION STATEMENT (of this Report)

Approved for public release; distribution unlimited

17. DISTRIBUTION STATEMENT (of the abstract entered in Block 20, if different from Report)

18. SUPPLEMENTARY NOTES

19. KEY WORDS (Continue on reverse side if necessary and identify by block number)

EEC
Greece
Economics

20. ABSTRACT (Continue on reverse side if necessary and identify by block number)

This work offers the major hypothesis that political stability is directly related to economic stability in Greece and then investigates whether Greece's accession to the European Economic Community will provide the economic prerequisites necessary for equilibrium. The study traces Greek economic development through three eras: the pre-junta period of Karamanlis influence, the seven years of dictatorship by the

(20. ABSTRACT Continued)

Colonels and the New Democracy period from July 1974 on. It investigates the existing relationships between Greece and the EEC by discussing their historical ties and the advantages, disadvantages and political implications of accession. Finally, it analyzes several factors crucial to Greece's economic welfare by determining each factor's movement, by weighting each factor with respect to economic development and EEC accession and by comparing the weighted results. The work suggests from the results of this comparison that accession to the EEC will enhance Greece's economic stability.

Greece and the European Economic Community

by

Frederick William Butler
Major, United States Air Force
B.S.I.M., University of Cincinnati, 1966

Submitted in partial fulfillment of the
requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

NAVAL POSTGRADUATE SCHOOL
December 1978

ABSTRACT

This work offers the major hypothesis that political stability is directly related to economic stability in Greece and then investigates whether Greece's accession to the European Economic Community will provide the economic prerequisites necessary for equilibrium. The study traces Greek economic development through three eras: the pre-junta period of Karamanlis influence, the seven years of dictatorship by the Colonels and the New Democracy period from July 1974 on. It investigates the existing relationships between Greece and the EEC by discussing their historical ties and the advantages, disadvantages and political implications of accession. Finally, it analyzes several factors crucial to Greece's economic welfare by determining each factor's movement, by weighting each factor with respect to economic development and EEC accession and by comparing the weighted results. The work suggests from the results of this comparison that accession to the EEC will enhance Greece's economic stability.

TABLE OF CONTENTS

LIST OF TABLES

GREEK ECONOMIC DEVELOPMENT

Table

THE GREEK-EEC RELATIONSHIP

Table

MAJOR FACTORS IN THE GREEK ECONOMY

Table

APPENDIX

Table

LIST OF FIGURES

Figure

INTRODUCTION

The international environment in the Eastern Mediterranean today vibrates with tension. The two primary actors, Greece and Turkey, face major domestic difficulties, particularly in their economic sectors. The governing regimes hang in the balance waiting for economic improvement while seeking remedies for inflation, unemployment and trade deficits, realizing that their political stability directly depends upon economic outcomes. The other nations of the world, particularly Europe whose "soft underbelly" these two countries protect, watch intently as circumstances develop. Their opportunities to influence the situation are infrequent and must be exploited quickly. This study evaluates one such opportunity: Greece's accession to full membership in the European Economic Community (EEC).

The work offers a major hypothesis that political stability is directly related to economic stability in Greece and then investigates whether Greece's accession to the EEC provides the economic prerequisites necessary for equilibrium. The study addresses the problem by analyzing several factors crucial to Greece's economic welfare. The methodology determines trends for the selected factors, weights the factors with respect to economic development and EEC accession, and then compares the resulting weighted trends to conclude if accession will enhance Greek economic stability.

To ensure the selection of the most critical and relevant elements for evaluation, the study first traces Greek economic development through three eras: the pre-junta period of Karamanlis influence, the seven years of dictatorship by the Colonels and the New Democracy period from July 1974 to the present. This portion of the analysis includes a discussion of Greek economic plans and outlooks for the future.

Since the major concern of the work is the ramifications of Greek accession to full EEC membership, it also addresses the existing relationships between Greece and the European Community. It discusses the historical ties of Greek associate membership since 1962, outlines for Greece and the EEC the advantages and disadvantages of accession, and points out the political implications of the proposed union.

The study draws conclusions by evaluating the selected factors in light of Greek economic developments and previous association with the EEC. The work provides a description of each factor, a discussion of its significance to both Greek economic development and EEC accession and a tabulation of available numerical indicators showing factor movement. The economic elements are selected, weighted and evaluated subjectively, based upon the author's determination of their relevance and salience today.

To determine if Greece's accession to the EEC will enhance her economic stability and subsequently her political

vitality is essential. Her importance in the Eastern Mediterranean has increased exponentially with the international shift in emphasis from strategic to regional concerns. She is a next door neighbor to the volatile Middle East and lies just across the Mediterranean from Africa and the ever increasing tensions on that continent. She occupies a vital position in the southern flank of the NATO alliance and retains the capability to blunt the impact of Warsaw Pact forces in the Balkans. Her modernizing naval fleet effectively patrols the Aegean and with the strategic use of her hundreds of islands in that sea can significantly curtail Soviet warship movement to and from Black Sea bases. Her proximity to the Eastern bloc countries provides an ideal location for intelligence surveillence sites and the monitoring of Communist activities. Finally, her Western ties, but geographically central location, provde her a unique opportunity to bridge the economic, political and social gulf between North and South, and East and West.

This work does not suggest that Greece should or should not accede to the EEC. The vital question is whether or not the accession will improve Greece's economic stability. If it does, her political stability will follow and the potential of her unique position in the Eastern Mediterranean will be realized. If the accession proves unsettling economically, political chaos may well follow and prevent Greece from making any positive contributions toward the solution of

international problems. This thesis will suggest probabilities for these alternatives.

GREEK ECONOMIC DEVELOPMENT

THE PRE-JUNTA PERIOD

At the conclusion of the Italian/German occupation in 1945, and the communist civil war which ended in 1949, Greece faced near-total economic dislocation. What infrastructure the occupying forces left intact the communist and partisan forces destroyed leaving the country without a viable economic system. More than 2000 individual villages were destroyed leaving 650,000 refugees completely dependent on the state and over one-third of the population in need of some public aid. Industry and exports stopped, while imports slowed to a 10 percent trickle of their pre-war level and uncontrolled inflation destroyed the monetary system.[1] Only with the help of vast amounts of Western financial aid and groups of advisors was the government finally able to reestablish the political channels and economic networks necessary for Greece's national survival.

The trauma of the war years lingered, however, and the Greeks turned to the social structure which in the past provided them individually with security and reasonable advancement opportunities. This structure employed the concept of the extended family and utilized extensive patronage. Although reassuring, and capable of meeting the country's basic economic needs, this inefficient and cumbersome system appeared to provide little capability to meet the postwar

challenge of an international economic revolution, and Greece immediately fell behind her Western allies in reconstruction efforts.

In 1955 however, following the death of the then Prime Minister, Marshal Papagos, King Paul appointed Konstantine Karamanlis premier and started a period of startling growth which lasted for more than eight years. The following figures illustrate a favorable comparison with other economically advancing European countries.[2]

TABLE 1-1

AVERAGE ANNUAL INCREASE IN GREEK GROSS DOMESTIC PRODUCT(GDP) (percent)

1953-1958	6.8
1958-1964	6.6
mean	6.7

Source: Economic Development Issues, pp. 10-11.

TABLE 1-2

AVERAGE ANNUAL INCREASE IN GREEK INDUSTRIAL PRODUCTION (percent)

1953-1958	9.1
1958-1964	7.3
mean	8.2

Source: Economic Development Issues, pp. 10-11.

TABLE 1-3

AVERAGE ANNUAL INCREASE IN REAL GROSS NATIONAL PRODUCT (GNP) 1954-1961 (percent)

Italy	6.3
Sweden	3.8
Great Britain	2.6
West Germany	7.1
mean	4.9

Source: Economic Development Issues, pp. 10-11.

TABLE 1-4

AVERAGE ANNUAL INCREASE IN INDUSTRIAL PRODUCTION 1954-1961 (percent)

Italy	8.6
Great Britain	2.7
West Germany	8.3
France	5.4
mean	6.2

Source: Economic Development Issues, pp. 10-11.

These figures demonstrate another interesting consideration in light of additional structural problems facing Greece. As with most developing countries, primary production (agriculture, livestock, fishing, hunting and forestry)

played the most important role in the economy throughout the Karamanlis period, accounting for 32 percent of the GDP in 1953 and 25 percent in 1963. Primary production's dominance during this period compared to the production of the second highest contributor, manufacturing which totaled 14 percent and 18 percent of GDP in those two years, was significant.[3]

Even so, the agricultural sector had several distinct geographic disadvantages. Only about 28 percent of the land (9.15 million acres) could be cultivated and only about 11 percent of that irrigated. Because of the return to the extended family structure, the size of individual land holdings decreased, approaching an average of eight acres in 1961.[4] In most cases, the owners acquired their land piecemeal and consequently owned several small plots (one to two acres), widely separated by plots of other owners. This prohibited the use of farm machines and large scale cultivation techniques and thus drastically reduced efficiency and yield.

In the manufacturing sector, the clan syndrome again prohibited economies of scale. Most firms (95 percent in 1958) employed less than ten workers, preferring to keep their businesses small and staffed with relatives or trusted friends.[5] Scarcity of resources, unavailability of domestic markets, poor lines of communication and a dearth of organizing and technical talent contributed to holding back real modernization and growth in this sector.

Despite these negative conditions, the economy in Greece did expand compared to other European countries from 1955 to 1963. One indicator, the quantity of public savings, predicted Greece's growth by standing out as unusually high for a developing nation. In most similar cases, because of a lack of consumer confidence, savings rates and thus capital accumulation are generally low, hindering economic expansion. In 1955, the Greek domestic savings to GDP ratio was 15.5 percent and climbed to 20.5 percent in 1961.[6] These ratios compared favorably with other countries.

TABLE 1-5

DOMESTIC SAVINGS TO GDP
RATIOS 1950 TO 1959
(percent)

Greece	12.5
United States	18.6
France	18.4
Belgium	17.6
Italy	19.5
Turkey	12.0
Spain	15.0
Portugal	11.0

Source: Ellis, Industrial Capital in Greek Development, p. 106.

Significantly, the public savings to GDP ratio averaged only 2 percent over these years while private investment equaled 14 percent. Psilos suggests that the large private

portion resulted from growth in per capita income ($180 in 1955 to $240 in 1964), price stability, tax incentives on income earned from deposits and high rates of return on deposits (maximum: 9.57 percent in 1956, minimum: 4 percent in 1963).[7] Consequently, the relatively high amount of capital accumulation from 1955 to 1963 in the form of private savings gave Greece the edge in combating strong negative growth pressure.

The Karamanlis premiership lasted nearly eight years, the longest continuous tenure of a prime minister since Greece gained independence. The son of a Macedonian school teacher and later a tobacco merchant, this man did not typify Greece's usual political elite. He spent many years before starting his political service working to support his family and solve the problems of provincial living. His understanding in these areas provided much of his appeal to the Greek voter and helped to provide his insight into the severe structural difficulties of the 1950's and early 1960's. As leader of the National Radical Union (ERE), Karamanlis based his political goals on continued monetary stability and the expansion of the market economy concept. To realize these goals, he had to ensure the competitiveness of Greek domestic products, and in 1955 and 1958 the government imposed certain restrictions on imports. These measures effectively prevented the consumption of excessive amounts of luxury and non-essential commodity items and turned the Greek consumers toward their own products.

Karamanlis' critics accused him of overworking wage controls to achieve expansion without inflation and of holding the free enterprise system up as a panacea for all Greek economic ills. Nevertheless, those in opposition could not deny his accomplishments which included the beginning of several new light industries, the introduction of modern agricultural techniques and the construction of numerous modern roads, hotels and other tourist-oriented facilities.[8]

By 1963, Karamanlis' efforts had laid a broad and firm foundation for Greece's economic future. However, since his political position lay right of center and his tactics originated in a rigid, conservative base, strong opposition arose in the moderate left-tending Center Union Party (EK), headed by George Papandreou, a man nearly as well liked as Karamanlis. A bitter struggle ensued resulting in Karamanlis' self imposed exile to Paris and the election of Papandreou as Prime Minister in 1964.

The EK's economic goals differed little from those of the ERE, with increased industrialization and agricultural productivity heading the list. As Karamanlis had, Papandreou faced a need for sound planning in the acquisition of investment capital to expand these two sectors. This meant maintaining an encouraging atmosphere to attract a combination of private domestic resources and foreign funds. To do this he had to keep the balance of trade deficit as low as possible (it increased from $514 million in 1963 to

$576 million in 1964) and carefully orchestrate the flow of invisible income which traditionally offset the higher import values.[9]

TABLE 1-6

PERCENTAGE OF GREEK TRADE DEFICIT COVERED BY INVISIBLES

	1957 to 1963	1963 to 1966
Emigrant Worker Remittances	48	32
Shipping Remittances and Tourist Foreign Exchange Receipts	42	43
Total	90	75

Source: Economic Development Issues, p. 30.

The Karamanlis administration had previously established the Research Committee for the Organization of Economic Planning which presented the country's first five year plan in 1959. It specified targets for growth rates, increases in agricultural and industrial income, regional development, and market competition capabilities. From 1960 to 1964 however, the Greek economy far exceeded these specified goals, which demonstrated the need for a much more scientific method of forecasting. The Papandreou regime, realizing this and noting the increasing complexity of world economic conditions, established the Center of Planning and Economic

Research in late 1964. The following year, the Center submitted a scientifically generated economic plan with growth objectives for the 1966 to 1970 period. The target figures included specific increases for GDP (7 to 8 percent), per capita income ($570-800), sector productivity, and employment.[10] The proposals also spelled out income redistribution plans to equalize regional and sector differences, and estimated the amount of foreign investment required to offset balance of payment deficits while projecting an increase in import and export trade figures.

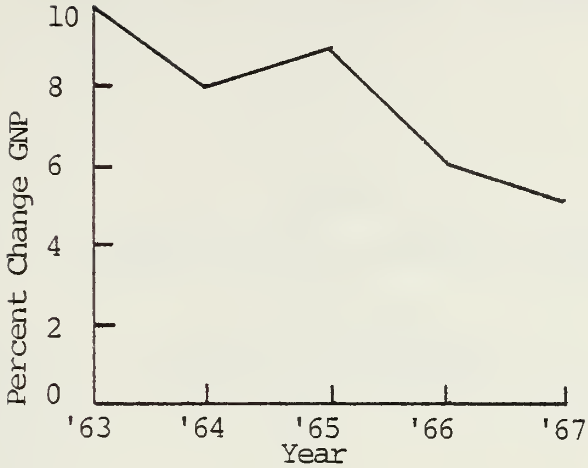
The research revealed two basic requirements: the structure of the economy needed drastic revision and the political leadership of the country had to remain stable and forceful. Ironically, events in the last months of 1965 touched off political turmoil of critical consequence for the nation and the recommended plan for economic restructuring was never implemented. In April 1967, the country began to reevaluate its entire social structure under the leadership of a military oligarchy, and economic planning lay dormant for some time.

THE MILITARY OLIGARCHY

An analysis of the circumstances surrounding the military coup in the spring of 1967 lies beyond the scope of this study. It must be noted however, that worsening economic conditions in late 1965 and 1966 contributed to the usurpation of power by the Junta.

FIGURE 1

CHANGE IN GREEK GROSS
NATIONAL PRODUCT



Source: OECD Economic Survey 1977

Prior to the last two years of democratic rule, the civilian governments of Karamanlis and Papandreou established a sound base for economic growth. Paul Samuelson writing for Newsweek two months after the coup stated that Greek output grew faster than in any other European country, that per capita living standards climbed rapidly relative to Western Europe, that Greece belonged with the miracle nations Japan and Israel in growth accomplishments and that the accomplishments were not a "flash in the pan," but real growth represented by price stability.[11]

Three very important conditions existed in 1967 which further favored economic success by the Junta.[12] First, the monetary stability of the nation during the previous twelve years had inspired the confidence of the Greek people and, as pointed out, encouraged their propensity to invest in

bank savings. This habit continued even through the 1965 to 1966 period of uncertainty and on into the Junta years, providing the banking system with considerable financing capital for expansion projects.

TABLE 1-7

GREEK PRIVATE SAVINGS DEPOSITS

Year	Deposits (billion Drachmae)	Percent Increase
1966	31.9	
1967	35.1	10
1968	46.4	32
1969	56.0	20
1970	69.6	24
1971	87.5	25
1972	106.7	21

Source: Statistical Yearbook of Greece 1976.

Second, the economic growth up to 1967 had created excess productive capacity which the military government exploited over the next several years. Third, positive world economic conditions favored expansion in other nations and enhanced Greece's growth through interaction with these markets.

It must also be pointed out however, that the European Economic Community, of which Greece had been an associate member since 1962, suspended all development funds to Greece (over $200 million) immediately after the Junta assumed

power.[13] This appreciably hindered the financing of long range development projects which otherwise could have been instituted. The military leaders stepped into an economic environment conducive to growth and expansion. Many critics later contended that the oligarchy could have accomplished much more under these conditions if they had relied more on long-range planning efforts and less on publicizing showy, short-term projects. The results of their years in power revealed many flaws but also produced growth figures which cannot be ignored.

After the political environment stabilized in 1967, the military leaders resurrected the Economic Research Center's plan shelved in 1966, and with certain alterations, presented their own version for 1968 to 1972.[14] The plan focused on modernizing the total structure of the economy, but did not specifically detail the methods to be used for the individual changes. It did specify "giving private enterprise its head" by increasing competition, utilizing free-market mechanisms, and more efficiently allocating resources.[15] Government incentives provided the guidance for market direction. Secondly, it suggested rapid industrialization by encouraging a maximum amount of foreign investment and the actual establishment of foreign businesses in Greece. Major incentive plans also provided the draw in these cases. Thirdly, the plan focused on agricultural reforms, including an increase in farm incomes to establish parity with urban living standards. This restructuring required the

consolidation of the fragmented farm plots and the establishment of government support prices and subsidies. "Intervention prices" provided encouragement to shift from surplus goods to more profitable, exportable ones. The plan also included: adjustment of income taxes, new shipping policies, insurance of exports, simplification of the monetary and credit systems, liberalization of closed professions and expansion of health, welfare and social security services.[16]

Since the plan called for a basic restructuring of the economy, it faced several obstacles and much resistance. Increasing free-market competition required overcoming limited natural resource availability, a small domestic market already dominated by inefficient, tariff protected monopolies, and non-availability of financing even though the banks swelled with private savings deposits. The credit institutions judged new business risk to be too high and collateral too low.

Facing an ever increasing balance of trade deficit, the government's industrial development emphasis lay with increasing the number of domestic firms producing goods for export by offering low interest rates and substantial tax incentives. To foreign investors they offered even more generous terms. These included: prohibition of expropriation, irrevocable agreement terms, repatriation of profits and non-taxable foreign employee wages.

In certain cases, the agreed upon conditions bordered on the absurd, as a result of the government's eagerness for foreign investment. Steyr-Daimler-Puch, a tractor and truck manufacturing company, agreed to establish a plant in Greece if Athens placed a ban on importing all second hand tractors and trucks and only allowed loans from the Agricultural Bank to farmers buying the Steyr product.[17] The Colonels went along with the stipulations.

In the agricultural sector, and again to aid in improving the balance of trade, the government encouraged domestic production of consumer food items traditionally imported, as well as those profitably exported. This endeavor faced particular difficulty because of the existing subsidizing practice which paid a high price to farmers for goods not demanded by market conditions. For instance, wheat production far exceeded domestic demand, and could not compete with world prices as an export, yet remained heavily subsidized.[18]

To tally the economic balance sheet for the years of the Junta is a difficult task. Several positive aspects must be noted. The average growth rate in GNP ranged between 7 and 8 percent from 1968 to 1972, acceptable by any standards.[19] Consumer wages increased an average of 8 percent each year while consumer prices averaged a rise of only 1.5 percent for the period.[20] Consumer goods improved substantially in quality, style and availability. New roads, telephone lines and public constructions including sports stadiums, schools and town squares increased in number. Receipts from merchant

shipping increased by 47 percent from 1966 to 1970 after a concerted effort to entice Greek ship owners to reestablish home offices in Greece.[21] Similar efforts to increase home registry of Hellenic owned ships moved Greece from the seventh to the fifth largest fleet in the world (an increase from 7.4 to 19.3 million gross registered tons from 1968 to 1972).[22]

In the industrial sector, total industrial output increased by 13.4 percent from 1968 to 1972, exceeding the government's target of 11.4 percent and obtaining the largest increase of any sector. Manufacturing output matched the total of industry at 13.0 percent.[23] Manufacturing exports increased over 200 percent for the same period and accounted for 34 percent of total exports in 1972, compared with 19 percent in 1968.[24]

In agriculture, the military regime's weakest growth area, officials managed to discontinue certain backward patterns of operation, remove bureaucratic pressures holding back long-range plans and successfully reallocate some resources. They accomplished much of this by establishing a Regional Services branch in the Ministry of Coordination which made the real needs of the rural community better known to the government.[25] Although the farmers initially balked at a less favorable price support policy instituted to redirect the type of crops produced, extensive irrigation, flood control and land reclaimation projects changed their feelings.

The government also initiated a non-participating welfare plan which provided free medical care and pensions for all actively producing farmers.

In the area of foreign investment, the Colonels realized immediately that the coup of April 1967 might ruin investor confidence and frighten away foreign money. Consequently, they established extremely liberal standards for investment. The enticements worked, and within a few short months, foreign capital again began to flow into Greece.

The statistics on the Junta's performance present a fairly impressive picture of economic growth, expansion and goal attainment. However, many critics contend that the statistics are misleading and that an investigation into the factors behind the Junta's accomplishments reveal decay and structural weakness. Andreous Papandreou in his 1970 account of the military regime's activities asserts that a real, competitive market economy could not expand as outlined by the Colonels because of their continuously changing laws and decisions.[26] He accuses them of merely shifting the center of privilege from traditional monopolies to foreign investors, rather than equalizing the business environment for all. He cites their use of deficit spending (anathema to "sound monetary management") as a cause for later inflationary tendencies.[27] Papandreou summarizes his condemnation of the regime by concluding that the large increases in balance of payments and volume of available money in the

economy combined with strict price controls, destroyed the economic infrastructure. The analysis is understandably colored by his antagonistic relationship with the government as the son of George Papandreou, and by the fact that he only evaluated 1967 and 1968, two of the worst years for the regime.

The Junta did lack confidence in their economic management capability and hired a division of Litton Industries as management consultants and to secure investment capital for development projects on Crete and in the western Peloponnesus. The terms of the contract were more than generous for Litton (11 percent above all costs plus 2 percent of all capital raised), once again demonstrating the over-solicitous attitude of the government toward most foreign firms.[28] In this case Litton could not find the required investments and the Junta canceled the contract at little economic cost. They had widely publicized the expected benefits of the agreement, however, and the situation resulted in embarrassing publicity.

Several other highly acclaimed major economy building projects ended in the same manner.[29] In 1969, the regime reached a $600 million agreement with Aristotle Onassis to build Greece's third oil refinery, a second aluminum smelter, a large power station and a petrochemical complex. Shortly after the initial signing, Mr. Onassis determined that he needed more money to offset higher costs. Negotiations

ensued but the matter eventually reverted to an international board of arbitration which tied up all progress on the critical projects for two years. Another example: In late 1970 an Italian consortium agreed to construct a car manufacturing and assembly plant in northern Greece. After the initial announcement of agreement nothing more happened. Critics contested that the Junta's search for the big deals, as demonstrated here, prevented the accomplishment of vital smaller projects and further cited that the regime failed to bring any major industrial projects to fruition during the seven year period.

The foreign investment problem also drove the Junta to provide incentives to domestic firms which sought and obtained credit abroad. These companies were usually awarded public works contracts which invariably cost the state more because of the high cost of financing the foreign credit.

At a Stanford Research Institute meeting in 1974, Achilles Cominos, former Governor of the National Bank of Greece demonstrated the extent of foreign money involvement in the Greek economy. He stated that in a 1971 sample of 500 industrial firms, foreign interests wholly owned only twenty-six which accounted for 8 percent of the fixed assets of the sample. However, another fifty-seven firms showed "important foreign equity participation" and accounted for 23 percent of the fixed assets. Additionally, in another sample of the 200 largest manufacturing exporters in Greece,

Mr. Cominos showed that 45 percent of their total exports were made by firms with "substantial foreign participation."[30]

Evaluating the agricultural sector, even the Junta admitted that the desired expansion did not occur. From 1968 to 1972, agricultural production increased only 1.8 percent vice a target of 5.2 percent and composed only 17.1 percent of production vice a target of 21 percent.[31] This resulted not only from the fragmentation of land holdings, poor distribution of crops grown, and government price subsidies which contributed to inefficiency, but because the rural Greek traditionally looked to the government as the promoter of agricultural development and did not consider it his responsibility. At the same time he distrusted official efforts and "sought ways and means to circumvent the law, obtain special consideration and evade his responsibilities as a citizen."[32] To meet the seasonal labor demands, the government attempted to keep the rural population on the farms by promising to bring them urban conveniences. When the bureaucracy could not produce them, it further alienated the farm communities. Legg contends that ordering the Ministry of the Interior to provide all villages with electricity, telephones and water only offered expectations that could not be realized.[33]

The regime attempted to consolidate the fragmented land holdings by purchasing the smallest plots and reselling them to the larger adjacent landowners. This totally ignored the basic Greek cultural precept of land equating to status

and self worth and thus met strong resistance. What consolidation measures the regime did implement, did not contain provisions against refragmentation and did not pursue the holdings of rural landowners who left the villages and migrated to the city.

Other than the agricultural shortfalls, the burgeoning trade deficit throughout the Junta years was the most criticized characteristic. The deficit rose from $926 million in 1968 to $2032 million in 1973, an increase of 119 percent in five years.[34]

Admittedly, a case can be made for both points of view, that from 1967 to 1973, the Junta in some ways improved the Greek economy and in some ways prevented its expansion. However, the most critical question which faced the replacement government in July 1974 centered on the state of the economy at that time, i.e., the legacy of the Junta.

Once again as has happened so often in Greek history, political turmoil and unrest overtook events in the last months of 1973 and the summer of 1974. As the political environment worsened, economic conditions began to deteriorate and soon became critical to the survival of the nation. Between 1972 and 1973, the consumer price index rose nearly 35 percent, the highest in Europe, and the balance of trade deficit shot up by 75 percent.[35] The Gross National Product, for the first time since WW II, declined by 2 percent in 1974.[36] An even more serious downward tend developed in the receipt of invisible earnings, the traditional means of offsetting

the trade deficit. Foreign exchange monies sent home by Greek seamen increased at a rate comparable with previous years, but income from foreign travel (tourism) dropped by 15 percent and receipts from emigrant workers fell by 12 percent.[37]

Although partly due to worsening world economic conditions in 1973 and 1974, the civilian government recalled in July 1974 faced a recession, devastating inflation and a balance of payments total which had lost much of its invisible compensating capital. These conditions coupled with near total internal political instability and the threat of war with Turkey over Cyprus confronted Mr. Karamanlis and his New Democracy Party with a monumental task. The critical question for Greece today is whether or not they have met these challenges.

THE NEW DEMOCRACY

The Karamanlis Government defined several specific and immediate actions required upon taking office: 1) return to normal economic processes and abolish emergency procedures established during the Cyprus crisis, 2) stop further increases in the balance of payments, 3) restock the domestic market and arrest price increases, 4) restore monetary stability by readjusting the supply and availability of money, 5) provide specific help to the farmers and lower income workers hardest hit by the inflation, 6) rebuild citizen confidence in the economy at a time of increased

unemployment and decreased job security for emigrant workers, 7) acquire funds for the nation's defense against a hostile Turkey.[38] To accomplish this program required a precise juggling act by the new administration because of the delicate equilibrium existing in the balance of payments and inflation areas. One pressure applied in the wrong direction could start the entire negative trend all over again and this placed considerable restraint on the policies the new government could adopt.

Nevertheless, by the end of 1975, the Greek economy made a near miraculous recovery and the immediate crisis passed. The Gross Domestic Produce rose 3.7 percent compared with a 2 percent drop in 1974. The inflation rate decreased from a Consumer Price Index (CPI) rise of 26.9 percent in 1974 to 15.2 percent in 1975. The balance of payments actually decreased with a reduction in the current accounts deficit from $1218 million in 1974 to $1009 million in 1975.[39]

Several factors qualified these results, however. Although actual GDP rose in 1975, agricultural production slowed from 9.2 percent in 1974 to 2.9 percent in 1975, primarily because of only small gains in livestock and animal feed production. Even though a decrease in real terms, the output did reflect the beginning of structural changes, shifting the sector to the production of high income exportables and domestic required items.

The large reduction in inflation figures reflected a considerably lower rate of imported goods, the flooding of the market with items hoarded during the crisis months, and a decrease in demand on production capacity. All these factors worked in the absence of price controls and began to drive market price trends downward. Purchasing power expanded as the average monthly wage increased by 20 percent in 1975, even though employment decreased by .4 percent.[40] The latter trend resulted primarily from Greek emigrant workers returning home, layoffs in the building industry overheated by the Junta, and new workers seeking employment for the first time.

A major concern of the Karamanlis government related to inflation and dealt with the money supply in the economy. Too much currency in circulation or on demand in sight deposits increased the possibility of an inflationary spiral. The growth rate in the money supply slowed down by 4.1 percent from 1974 to 1975, primarily because private confidence in the economy returned and savings deposits increased by 32 percent compared to 18.5 percent in 1974.[41]

Finally, the 1975 reduction in the balance of payments resulted from an exchange rate policy which increased the competitiveness of Greek exports and exerted downward pressure on private demands for imports. Additionally, an increase in invisible earnings helped to reduce the deficit. Foreign travelers regained their trust in the stability of the Greek environment and increased their spending by 28

percent over 1974. Remittances from emigrant workers increased 2.5 percent while returns from shipping moved up only 0.7 percent due to the world downturn in that market.[42] The government easily financed the current account deficit with a substantial increase in foreign capital inflow which also expanded because of increased confidence in the new government's control over the political situation.

After stabilizing the economic environment in the first eighteen months of its administration, the New Democracy Party turned to adjusting the structure to meeting longer range objectives. Officials outlined their goals in a Five-Year-Plan for 1976 to 1980 developed by the Institute for Planning and Research. The proposal provided for growth in national income, but specified this as a means rather than an end, stating that "reforms aiming at an improvement in structure and organization, leading to better education and social services as a means of creating conditions wherein a comfortable and intimately close family life can be enjoyed" were the ultimate goals.[43] It specifically cited certain benchmarks:

1) Increase production and incomes,
2) Develop industrial units,
3) Contain price increases compatible with principal trading partners,
4) Reduce the current accounts deficit 50 percent by 1980,
5) Equalize income distribution between social classes and regions,
6) Expand social services,

which it suggested could be accomplished by an annual GNP increase of 6 to 7 percent (2 percent higher than the average

forecasted for Western European countries) and a yearly inflation rate no higher than 10 percent.[44]

The Karamanlis administration quickly began several programs designed to realize the objectives in the Five Year Plan. Price control measures started in early 1976 when authorities established a list of essential commodities which required importers to give advance notice and justification for price increases. Officials expanded the list from time to time and postponed certain proposed increases when necessary. Other measures reduced wholesalers' profit margins, obliged producers to recommend retail prices, enacted fines against speculators, and established laws curtailing monopolies.[45]

To improve the government's capability to administer public programs, monetary officials tackled the particularly resistant problem of taxation distribution. They implemented new measures which 1) increased the tax on dividend income, 2) levied a capital gains tax on land and buildings of commerical, industrial and financial enterprises and 3) reinforced regulations to combat tax evasion. Analysts expected these processes to yield over 4 billion drachmae in 1977, nearly 9 percent of budgeted direct tax revenues.[46] In the past, the majority of estimated total tax revenues came from indirect taxes (1976: 65 percent) which have low elasticity and can not increase in direct proportion to growth. Thus the revenues essential to administer the

expanding economy did not keep up with needs, requiring more and more stop-gap, indirect taxation of such things as cars, luxury goods, entertainment and fuels. The new measures began to reallocate taxation to more direct sources which could expand directly with increased productivity and income. The administration also began plans for implementation in January 1978 of a value-added-tax (VAT), essential for future EEC compatability.

To enhance the development of industrial units, the government in 1975, formed a consortium of state-owned banks (ELEVME) comprising the National Bank of Greece, the National Investment Bank for Industrial Development and The Hellenic Industrial Development Bank. The newly formed public organization pooled its resources to "carry out large scale investment projects which privately-owned companies are unable or unwilling to undertake at this time."[47] Since its formation, ELEVME acted as a holding institution to provide major investment funds for companies developing Greek mineral resources. In concert with the goals of ELEVME, the administration also formed the Public Petroleum Corporation (PPC) in October 1975, and charged it with the responsibility to prospect, drill, extract, process, store and distribute all oil and natural gas deposits in Greece. In October, officials established the National Council on Energy to implement the government's long term plan for exploiting all indigenous energy forms, and in the Spring of 1976, the Parliament revised existing mining laws to

allow the formation of the Institute for Mineral and Geological Research (IGME). This public entity allowed the State to prospect for minerals and develop an internationally competitive mineral industry.

The government also addressed industrial expansion efforts toward the powerful and lucrative shipping industry, specifically by encouraging "the investment of shipping capital in shore-based businesses." Mr. Papadongonas, the Minister of Merchant Marine, stated:

> It is a well known fact, however, that besides being an inexaustable source of foreign exchange revenues, and an employer of a large number of men, Greek Merchant Shipping has extended its operation to other sectors of the economy.[48]

Officials accomplished the increased shipping industry involvement by strengthening two basic incentive laws: No. 2687/53 and No. 4171/61. These were the same measures used by the Colonels in their attempt to encourage foreign investment. Modifying laws such as No. 159/75, clarified and redefined the allowable benefits by eliminating loopholes costly to the state.[49] These ammendments ultimtely increased the returns on the investments to Greece but did not appreciably reduce the draw for foreign money.

The incomes and social services equalization and expansion disparities came under scrutiny by the regime shortly after the economy stabilized. In 1976, minimum wage and salary rates increased by 17 percent for men and 20.5 percent

for women while measures voted for 1977 specified additional increases of 15 percent (19 percent for women). This schedule equalizes minimum wages and salaries between men and women in 1978.[50]

Equalization between high and low pay groups did not occur as easily however. The government attempted to secure a wage freeze commitment from high salaried employees when nationally negotiating the 1977 minimum wage increases with employers and employees. The higher paid groups would only agree to a small curb in their pay increase scales, completely rejecting the freeze philosophy. Mr. Papaligouras, Minister of Coordination, indicated that the government would not impose a wage halt but appealed to the high salaried Greeks to "understand where their duty lies toward their fellow countrymen, the farmers and the low paid workers."[51] He insisted that what the government desired was not to require excessive sacrifices of any one group, but to close the gap between the poor and the well off.

To return some of the initiative in social improvements to the workers themselves, the administration reformed and modernized labor legislation. The new measures provided freedom of action for labor unions, brought Greek legislation in line with international labor practices, provided greater protection for workers through the signing of a new labor contract, restored the right of the Institution of National Collective Labor Contracts to draft labor

agreements and arbitration rulings without government interference.[52]

Finally, to reduce government spending and relieve some of the burden from the lower income citizens, Mr. Karamanlis instituted plans to reduce bureaucratic inefficiency and improve general economic effectiveness. He attempted these measures first, by demanding that government officials cease the practice of rousfeti — political patronage and favoritism — which often required more time of public employees than the accomplishment of their assigned tasks.[53] He reemphasized this at his first cabinet meeting of 1977:

> Strictness in the enforcement of the just and correct methods in every direction and not a misinterpreted leniency is the element which truly serves the interests of the people as a whole and of every class of citizen.[54]

Second, in March 1977, the government began a three month experiment centered on a continuous 9:00 A.M. to 5:30 P.M. work day. Traditionally Greeks have split working hours with a three hour mid-day siesta from 2:30 P.M. to 5:30 P.M., reopening their shops from 5:30 P.M. to 8:30 P.M. The split time system causes problems with businesses dealing in international markets and generally contributes to a less efficient economic environment. In May the country returned to the mid-day rest policy for the hot summer months, and the results of the test are under analysis.[55]

Third, to combat inequality in fares and general inefficiency pressures, the government purchased control of all public transportation companies. These included the Athens electric trolley buses, the Piraeus-Kifissia railway, Olympic Airways and the EKTEL urban bus pool. Since then services have expanded, modern equipment has been purchased and availability increased providing more benefits to the low paid workers.[56]

In a broad perspective then, the Karamanlis government has attempted to focus on long range economic improvement goals by implementing specific plans and programs. In many cases they have succeeded in substantially enhancing the economic environment.[57] In 1976 Gross National Income grew 5.6 percent (1975: 4.1 percent) including an 8.8 percent rise in industrial output. Manufacturing employment rose 6.1 percent, minimum wages and salaries increased an average of 2.2 percent, the consumer price index climbed only 11.7 percent compared to 15.7 percent in 1975. The balance of payments picture stabilized with a current account deficit of $1,092 million (1975: $1,088 million) as an increase in invisible receipts offset a higher trade deficit. Foreign exchange from tourism increased 28 percent, from Merchant Shipping 8.2 percent, and from emigrants' remittances 2.6 percent.

In the critical area of foreign investment projects, the government attained its goal of reinstilling

investor confidence, and contracts mounted.[58] Those negotiated included: a $550 million shipyard, a cement steel complex in Pylos, a $250 million nickel industry expansion project by Bodossakis Industries, a $200 million alumina project by Parnassus Bauxite, a $70 million cement factory in Volos by General Cement, numerous shipbuilding and repair yards and the $100 million Hellenic Aerospace Industries complex by Lockheed at Tanagra. This complex promises to bring in $25 million per year in currencies from around the world. The site will ultimately provide depot level maintenance for the state-owned Olympic Airways, the Hellenic Air Force (this work is currently performed by other NATO countries at a loss of foreign exchange) and maintenance and manufacturing capabilities for airlines of world nations including the Middle Eastern countries.

In 1976, because of their uneconomic and monopolistic conditions, officials reviewed nineteen of 600-odd contracts negotiated by the Junta. These included agreements with companies involved in major projects, such as the three firms which acquired th Onassis oil refining concession, the Oceanic Offshore Exploration Company doing the major under-sea drilling near Thasos, the Pappas Coca-Cola franchise and the Hellenic Steel Corporation. Most were renegotiated on terms more realistic for Greece while others were canceled.

These accomplishments and the positive trends apparent in the Greek economy do not suggest that the major problems

have been solved. Mr. Laz Arseniou in a lengthy article in the Greek press cited what he felt to be a need for more drastic structural modification.[59] He demonstrated the problem, which he labeled "parasitism," by discussing dichotomies of waste and thrift. For example, he states that Athens has water supply problems severe enough to require diverting a river into the city, but still supports all major soft drink manufacturing plants in Greece. The wheat mills, once dependent on imported grain remain located near ports even though the country is now self-sufficient in wheat. The grain must be transported from the central farm belts to the coast to be ground and then retransported to be sold, all at high cost. This raises the cost of bread to almost twice that of flour even though 100 kg of flour yields 130 kg of bread.

In another example, Arsenious suggests that a large number of pensioneers are reappointed to bureaucratic posts at generous salaries but perform only marginally, decreasing government effectiveness. Finally, he lists five basic economic problems: 1) A strike-it-rich-quick syndrome in the Greek market, 2) Ineffective and incomplete exploitation of the agricultural sector, 3) Foreign dominance of mineral industries, 4) Lack of industrial infrastructure, and 5) Too much state intervention in economic processes. Although his argument is perhaps over-stated, Mr. Arseniou does provide food for thought in analyzing areas for concentrating future efforts.

The OECD Survey of Greece for 1977 suggests that immediate problems have been solved efficiently, but that long term plans, particularly for restructuring the economy have not yet been detailed. This applies specifically to increasing manufacturing output and employment, reducing the weight of the self-employed portion in non-agricultural income, and improving the composition of the tax structure.[60]

A U.S. Government source suggests that major changes are required in two structures: agriculture and fiscal policy.[61] In the first, the report indicates that the extensive use of price supports and subsidies cause supply problems particularly in the beef, veal and milk sectors. It points out that fragmentation of land holdings remains a problem, reducing productivity and efficiency, and that marketing practices employ small-scale independent wholesalers who don't have adequate storage, transportation, preservation or quality control capabilities. In the fiscal area, the report shows that Greece currently derives two-thirds of its revenue from indirect taxes such as customs receipts, consumption taxes and transaction taxes. It suggests that a shift to direct taxation is essential.

Mr. Zolotas, the Governor of the Bank of Greece, cites in his 1977 report to shareholders that stagnation of industrial investment is a major problem facing Greece today.[62] He shows that large increases in industrial output have diminished excess productive capacity to zero and that new plants, factories and facilities must be brought on line or

productive capacity will begin to decline. He contends that world conditions will of course have much to do with demand levels, but that bureaucratic procedures governing investment must be simplified to allow maximum input of capital for development projects affecting the supply of Greek goods. He further indicates that foreign investment and technology must be attracted and suggests that a favorable environment for this can be established by:

1) Simplifying development incentives,
2) Adopting a lasting tax system supporting long range development,
3) Simplifying and clarifying policies toward foreign venture capital,
4) Strengthen competition in production and distribution of goods by eliminating government controls and introducing strict anti-monopolistic legislation.

Collectively, the sources referenced and many others indicate that long range planning is essential for the ultimate improvement of the Greek economy to a level desired by herself and Western Europe. Some of these plans have already been compiled, while others await development.

ECONOMIC PLANNING

Mr. Karamanlis is vitally concerned with the extent of Greece's defenses against Turkish forces in the event of war. In 1977, the government allocated $1.7 billion or 25 percent of its $6.2 billion total budget for defensive purposes; a 35 percent increase over 1976, making her the third largest defense spender in NATO.[63]

TABLE 1-8

GREEK DEFENSE BUDGET
($ million U.S.)

1974	1975	1976	1977
602	810	1,049	1,700

Source: Intelligence Report Greece, p. 10.

A Defense Marketing Services Report, completed in February 1977, indicates that Greece plans to spend an average of $335 million annually over the next five years on defense articles. Purchases will include US F16A fighter aircraft, French Mirage F1CG fighter aircraft, French La Combattante III fast attack missile boats, German Type 209 Glavkos Class submarines, French AMX 30 Tanks, various missiles including the Exocet surface to surface and TOW anti-tank weapons, and a myriad of electronic surveillance and warning equipment.[64]

To offset such extensive defense expenditures, Greek plans include the receipt of aid and assistance from several countries.[65] US Military Assistance Program (MAP) aid funds allocated $33 million in FY77, $33 million FY78 and are projected to go higher in future years. On July 28, 1977, the United States administration and Greek Parliament agreed to a $700 million four year assistance package which allows the US to retain installations at Hellenikon Airbase in Athens; Nea Makri (communications); Souda Bay, Crete (USN facilities); and Heraklion Airstrip, Crete. West

Germany supplied about $25 million in military aid in 1976, and along with Belgium, France, and Italy has agreed to long-term credit sales contracts for arms procurement. Until the hostility with Turkey begins to lessen, plans for increased defense spending will remain a significant factor in Greece's long range economic projections.

Michael Wall suggests in his September 1975 Survey of Greece that in addition to defense spending needs, the Karamanlis government must address at least seven major areas in its long range planning process.[66] First, he cites the exploitation of indigenous raw materials. The administration has made strong efforts in this area with the development of the banking consortium (ELEVME), the Public Petroleum Corporation (PPC) and the Institute for Mineral and Geological Research (IGME). Much remains to be done however, particularly in the improvement of extraction processes.

Second, and closely associated with mineral development, he contends that Greece needs to be much more self-sufficient in energy. Improvement here will not only provide independence from world oil pressures but will eliminate a substantial portion of the balance of trade deficit. Government planning to this point has concentrated on oil exploration and solar, hydroelectric, lignite and wind power projects.

Third, Wall mentions the perennial agricultural nemesis, suggesting that increases in productivity, irrigation capability, the quantity and diversity of exportables, processing

capacity, and self-sufficiency in meat production are essential for improvement in this sector. In November 1976, the Ministry of Agriculture outlined an agricultural development program which included:

1) Increasing the average size of land holdings by making available 10,000 hectares (1 hectare = 2.47 acres) of state owned land (from abandoned plots and drained lake beds) to landless farmers for group farming,

2) Similar endeavors to develop 500,000 to 600,000 hectares of community and privately owned land,

3) Tax incentives and credits to encourage land consolidation,

4) Assistance to producers in organizing local markets for better distribution of fruits and vegetables,

5) The restructuring of producer prices along world market lines to encourage the cultivation of crops with more international demand, i.e., cotton and durum wheat.[67]

Associated projects include a $30 million endeavor by the International Bank for Reconstruction and Development (IBRD) to investigate processing and marketing practices, and two irrigation projects financed by World Bank loans with which the government plans to increase irrigated land by 24,000 to 90,000 hectares a year.

Fourth, Mr. Wall cites the continued narrowness of the Greek manufacturing base despite efforts by the Karamanlis regime to broaden it with projects like the Tanagra Aerospace Complex. He links this problem to the traditional "closed shop" of Greek entrepreneurs which he asserts must be opened to those who have gained talents and experience

as migrant workers and wish to enter the business world at home. He suggests that Greek financial institutions must become involved in the two areas and take the initiative to meet the needs of the industrial community.

Monetary officials in 1976 were able to improve the financing capability of the banking system by the issuance of a bank bond plan. This action reduced the dependence of commercial banks on the central bank (Bank of Greece), provided more financing to the public, and created an appropriate climate for reactivation of the general bond market.[68] In October of that year, the Committee on the Capital Market reported: "The time now is propitious for a recovery of the Greek stock market."[69] Also, the National Monetary Plan, established to maintain monetary equilibrium, acquired increased credibility in 1976 when the Bank of Greece established two new committees to monitor credit trends and analyze the month-by-month targets of the plan.

Finally, Mr. Wall addresses regionalism, pointing out that the ever-expanding Athens-Piraeus and Thessaloniki complexes are the only two urban centers developed enough to continuously attract economic activity. The government is well aware of the restraining effect this polarization has on the economy and has enacted a plan (Law No. 289/1976) which provides special incentives for productive business enterprises (agricultural, tourist, workshop-industrial, etc.) to locate away from major industrial centers. The plan divides the country into five sectors A to E (A - major

industrial, E - most remote) and provides progressively greater benefits in more remote locations.[70]

Officials in mid-1977 also negotiated a World Bank loan of $35 million towards an $81 million plan for the development of north-eastern Greece.[71] This regional development project includes investments in agricultural development, agro-industry, roads and community education facilities and calls for raising incomes and improving the quality of life in the rural areas concerned.

Mr. Constantine Doxiadis in an article for the London Times, asserts that the government is finally beginning to realize that long range planning for Athens is absolutely essential if the city is to survive and not degenerate into an urban ghetto.[72] He points out that officials are carefully considering the Third Environmental Plan for Athens developed in 1974 which contains programs for transportation, the movement of the international airport to the island of Makronisos and the establishment of a LANWAR (land, water, air) system joining Athens and Piraeus.[73]

To relieve regional imbalances in citizen inequities, the government announced in early 1977 a new long-range health care program.[74] The plan strives for a significant improvement of health care services and includes:

1) Five new hospitals situated around the country with a total of 3500 beds,

2) 200 new multi-bed clinics located in the rural areas,

3) An "agrarian doctors" corp to serve the farm population,

4) Expanded availability of drugs and medicines in the countryside,

5) Establishing a National Health Council to improve the structure of the medical profession.

Thus it is apparent that the Karamanlis government has evaluated at least the major areas of immediate economic weakness and in most cases provided plans for rectification or improvement. As previously cited, the OECD Survey for 1977 on Greece suggests that the focus of Greek economic planning should now shift to longer range goals with attention to specific implementing techniques. The basic structural problems that Mr. Karamanlis faced during his first tenure as Prime Minister (1955-1963) still exist and must be removed if Greece is to pass into an association with Western Europe as a modernized and industrialized partner.

One note of caution must be interjected. The International Monetary Fund (IMF) in its 1977 annual report contends that a "general unsatisfactory" economic situation exists in the world today and warns governing politicians that "excessive stimulation of business activity can give rebirth to inflation and another recession. The quick fix leaves the nation in worse shape than before. Because of constraints imposed by inflation or balance of payments difficulties, fiscal and monetary policies must be kept under restraint."[75] Mr. Karamanlis then, is faced with a dilemma. He must make all haste to prepare his country for EEC accession but he must

go slowly enough to prevent a disastrous collapse of the structure he has built so meticulously over the last three and one-half years. How he solves this dichotomy may well determine the speed at which full EEC membership comes for Greece.

FOOTNOTES

GREEK ECONOMIC DEVELOPMENT

[1]Allison B. Herrick, Area Handbook for Greece (Washington: US Government Printing Office, 1970), 196.

[2]Gross National Product can be defined as the sum total of goods and services produced in an economy and net foreign investments. Gross Domestic Product (GDP) is the sum total of final goods and services, excluding intermediary production, produced with national plus import taxes. Source: The Facts, 30.

[3]Herrick, Handbook, 199.

[4]D. Weintraub and A. Shapiro, Rural Reconstruction in Greece (Beverly Hills, Ca.: Sage Publications, 1975), 13.

[5]Howard Ellis, Industrial Capital in Greek Development, Center of Economic Research (Athens: Cantos Press, Ca., 1964), 106.

[6]Ibid, 31.

[7]Economic Development Issues: Greece, Israel, Taiwan and Thailand, Committee for Economic Development, Supplementary Paper No. 25 (New York: Frederick A. Praeger, 1968), 14.

[8]Thomas Anthem, "Communism in Greece," Contemporary Review, 206 (May 8, 1965), 257.

[9]Statistical Yearbook of Greece (Athens: Greek National Statistic Service, 1976), 291.

[10]Economic Development Issues, 74-75.

[11]Paul A. Samuelson, "The Greek Tragedy," Newsweek, May 22, 1967, 89.

[12]"Greek Shipping: A Special Report," The Times, Mar 18, 1975, vi.

[13]Major John F. Bernard, The Greek Dilemma (Maxwell AFB, Ala., 1974), 28.

[14]Herrick, Handbook, 202.

[15]Michael Wall, "The Two Faces of Greece, A Survey," Economist, Jul 31, 1971, xix.

[16]Ibid., xxv.

[17]"New Brooms," Economist, 258 (Jan 17, 1976), 99.

[18]OECD Economic Survey: Greece 1977, (Paris: Organization for Economic Cooperation and Development, 1977), 48.

[19]Ibid., 41.

[20]Ibid., 46.

[21]Wall, "The Two Faces," xvi.

[22]Statistical Yearbook, 467.

[23]Greece: Business in Greece (Menlo Park, Ca.: Stanford Research Institute, 1974), 21.

[24]OECD Survey, 47.

[25]Weintraub, Rural Reconstruction, 48.

[26]Andreas Papandreou, Democracy at Gunpoint (New York: Doubleday and Co., 1970), 335.

[27]Deficit spending primarily due to government investments rose 30% from 1966-1967 (Herrick, 210) and in 1973, the consumer price index rose 31% compared to 6.5% in 1972 and 3% in 1971 (Business in Greece, 23).

[28]Keith R. Legg, Politics in Modern Greece (Stanford, Ca.: Stanford University Press, 1969), 239.

[29]Wall, "The Two Faces," xix.

[30]Greece: Business in Greece, 36.

[31]Ibid., 21.

[32]Weintraub, Rural Reconstruction, 50.

[33]Legg, Politics in Modern Greece, 240.

[34]Statistical Yearbook, 291.

[35]This largely occurred because of the Junta's repeal of strict price control measures, which were becoming unrealistic; once removed, prices soared. ("Opinion on Greek Application for Membership," Bulletin of the European Communiites, Supplement 2/1976, 30,39.)

[36]Richard Clogg, "Karamanlis Cautious Success, 1955-63," Government and Opposition, 10 (Summer 1975), 332-53.

[37]OECD Survey, 30.

[38]"Greece, Economic Activity and Development," Hellenews Organization, Express, Dec 1976, 13.

[39]Xenophon Zolotas, Summary of the Statement of the Governor, Annual Shareholders Meeting, April 1976 (Athens: Bank of Greece, 1976), 21-28.

[40]"Greece, Economic Activity," 12.

[41]Zolotas, Summary of Statement - 1976, 23 & 26.

[42]"Greece, Economic Activity," 30.

[43]Ibid., 9.

[44]Ibid., 9.

[45]OECD Survey, 28.

[46]Ibid., 23.

[47]Economic and Statistical Bulletin, National Bank of Greece, Sep-Oct 1975, 4.

[48]"Greece, Economic Activity," 22.

[49]For a detailed listing of the dispensations and advantages for foreign capital investment see "Greece, Economic Activity and Development," 22 and 23.

[50]J.L. Priamoy, Marketing in Greece, Overseas Business Reports No. 76-17 (Washington: US Government Printing Office, 1974), 20.

[51]Western Europe, Foreign Broadcast and Information Service (FBIS), 9 Mar 77, S1.

[52]"Greece, Economic Activity," 27.

[53]Mary Ann Weaver, "Greek Premier Hopes to Put His Nation into Modern Era," Monterey Peninsula Herald, Mar 6, 1977, 58.

[54]FBIS, 5 Jan 77, S1.

[55]"No Siesta Policy Draws Yawns in Greece," Christian Science Monitor, Jun 20, 1977, 23.

[56]"Greece, Economic Activity," 8.

[57]Zolotas, Summary of Statement - 1977, 17-23.

[58]"New Brooms," Economist, 258 (Jan 17, 1976), 99.

[59]"Radical Changes Needed to Increase Economic Efficiency," Translations on Western Europe, 742 (Aug 26, 1975), 10-17.

[60]OECD Survey, 32.

[61]US Department of State, Airgram from Am Embassy, Athens, Apr 25, 1977.

[62]Zolotas, Summary of Statement - 1977, 14.

[63]Intelligence Report - Greece (Greenwich, Conn.: Defense and Aerospace Marketing Services, 1977), 10.

[64] Ibid., 1-13.

[65] Ibid., 5-10.

[66] Michael Wall and Jonathan Radice, "A Survey of Greece," Economist, Sep 20, 1975, 34.

[67] US Department of State, Airgram from AmEmbassy, Apr 25, 1977.

[68] Zolotas, Summary of the Statement - 1977, 8.

[69] "Greece, Economic Activity," 25.

[70] For a listing of the benefits available in each sector see: "Greece, Economic Activity and Development," pp. 18 & 24.

[71] Greece: A Monthly Record - Jun 77, 3. The loan is for 15 years with three years grace at 8.2% annual interest. Participants include the Riggs National Bank of Washington, D.C.

[72] "Greece: Special Report," The Times, Mar 18, 1975, vii.

[73] Greece: Monthly Record - Jul-Aug 76, 8. At the beginning of August, 1976, officials announced a five year program to re-forest parts of the Athens-Attica region and to create parks and green areas aimed at improving natural attractions and recreational facilities. The plan is projected to encompass 30,000 acres and cost $30 million.

[74] Greece: Monthly Record - Mar 77, 2.

[75] David R. Francis, "'Take it Easy,' IMF Urges," Christian Science Monitor, Sep 12, 1977, 14.

THE GREEK-EEC RELATIONSHIP

THE ASSOCIATION AGREEMENT

Under the leadership of Konstantine Karamanlis, the Greek government decided as early as 1959 that a strong formal relationship with the countries of the European Community could substantially enhance Greece's economic development goals. As a result, the original six members of the European Economic Community concluded an Agreement of Association with Athens on July 9, 1961 which became effective on November 1, 1962 after ratification. This was the first association agreement to be formalized and constituted an arrangement signifying more than just a customs union between the parties by providing the opportunity for Greece to attain full membership in the Community at some future time.

To establish the Athen's Treaty, the EEC acted under Article 238 of the original Treaty of Rome which provides that the Community can enter into formal agreements of association with other international entities characterized by reciprocal rights and obligations, joint actions and special procedures.[1] The new relationship required the establishment of several special institutions for administrative purposes including an Association Council composed of Ministers of the Six, members of the Greek government and a representative of the European Commission. The council

in turn designated an Association Committee to assist in preparing material for meetings and investigating major problems as they became apparent.

In April 1963, the Council further expanded the administrative function by creating the Joint Greek-EEC Parliamentary Committee currently consisting of fifteen representatives from both the Greek Parliament and the European Parliament. This thirty man body provided the major forum for discussion and analysis of association concerns and provided a checking mechanism for the rulings of the Association Council. Since Greece applied for full EEC membership in June 1975, this body has supplied the major forum for the resolution of differing opinions and the development of accession plans.[2]

Article Two of the Association Agreement specified three major objectives:

1) The establishment of a customs union,
2) The promotion of joint measures by the parties and harmonization of their policies in a number of fields (chiefly agriculture, movement of persons and services, competition rules, taxation, legislation on administrative provisions relevant to the functioning of the association, other areas of economic policy, notably exchange rate policy),
3) The making available to the Greek economy of resources which will assist it to develop at a higher rate.[3]

The Community established these tenets to assist Greece in developing sufficiently to eventually acceed to full membership.

Because of the expanding nature of the Hellenic economy, the initial drafters of the agreement specified that no time

limit be placed on the period of association. However, to facilitate an orderly and progressive movement towards the goal of Greek accession, the authors included certain schedules in the articles of the treaty. For Greek exports to the EEC, all tariffs on manufactured and agricultural goods not specified in special protocols (No. 10 and Nos. 14-17), immediately dropped to the intra-EEC level on November 1, 1962. By July 1968, subsequent reductions eliminated the tariff on all Greek manufactured goods exported to the Community (about one third of total exports to the EEC).[4]

Protocols No. 10 and Nos. 14-17 cited special provisions for the export of tobacco, currants, sultanas, wines and olives to the Community. For unprocessed tobacco and raisins (currants and sultanas), major Greek export items, the EEC customs duty dropped to 50 percent of the existing third country level in 1962 and ended completely in 1968. Olives immediately enjoyed a no tariff status and olive oil faced only minimal quantitative restrictions. The original agreement provided for unlimited export of Greek wines to the Benelux countries, but faced a total bottle restriction to Germany, Italy and France.

Because of the duplication of the production of citrus fruit, grapes and peaches in the EEC countries, the agreement specified limits on the quantity of these goods imported from Greece under reduced tariff conditions. The Association Council reserved the right to specify the allowable quantities

based on current conditions. The following table summarizes the approximate tariff restrictions applying to Greek exports to the Community. It indicates that favorable conditions existed very shortly after the inception of the Association Agreement.

TABLE 2-1

EEC TARIFFS IMPOSED ON GREEK PRODUCTS

Product	Proportion of total Greek exports to EEC	Tariff imposed
Manufacturing Goods	about one-third	Ø (since 1968)
Tobacco	about one-third	Ø (since 1968)
Raisins	about one-tenth	Ø (since 1968)
Fruits and Vegetables	about one-tenth	varies from zero to 20 percent

Source: Yannopoulos, Greece and the EEC, p. 7.

To preserve market stability, Articles 41, 42 and 43 established agricultural safeguard clauses which provided for minimum price systems and countervailing charges. These two methods of protection can be used by either Greece or the EEC to maintain base import prices on certain products.

The agreement outlines more specific schedules for aligning Greek import tariffs with those of the EEC. For goods from third countries (non-EEC), Greece agreed to apply the Community's Common Customs Tariff (CCT) to all industrial products according to the following schedule.

TABLE 2-2

CUMULATIVE REDUCTION OF DIFFERENCES BETWEEN GREEK AND CCT RATES

Dates	Percent
May 1, 1970	20
Nov 1, 1975	50
Nov 1, 1979	80
Nov 1, 1984	100

Source: Bulletin of the European Communities, Supplement 2/76, p. 23.

The Association Council retained the capability to grant exceptions for countries with which Greece has bilateral agreements and allow tariff rates lower than the CCT. The total value of these special allowances however, can not exceed 10 percent of the value of Greek imports from third countries. Tariff harmonization on agricultural imports from non-EEC countries still depends on the evolution of the Common Agricultural Policy (CAP). Greece has not yet implemented this sytem and still determines its own tariff schedule on these products.

For goods imported from the EEC, the agreement defined tariff harmonization schedules by category. Levies on manufactured goods not produced in Greece at the time of the agreement required progressive reduction over twelve years reaching zero in 1974.[5] The agreement provided certain exceptions to this plan for products of new industries

started after 1962. For manufactured goods already produced in Greece, the tariff reduction schedule extended for twenty-two years.[6] The ten year extension allowed additional time for growth and stability in the particular industries.

TABLE 2-3

TARIFF REDUCTION SCHEDULE FOR EEC IMPORT ITEMS ALSO MANUFACTURED IN GREECE

Date	Percent
May 1, 1977	52
Nov 1, 1978	60
May 1, 1980	68
Nov 1, 1981	76
Nov 1, 1982	84
Nov 1, 1983	92
Nov 1, 1984	100

Source: Yannopoulos, Greece and the EEC, p. 9.

Greece also agreed to abolish all quantitative restrictions on manufactured articles in both categories by 1984.

Tariff reductions for agricultural imports from the EEC followed similar lines. For goods specified in Annex III of the Association Agreement and generally classified as exported or exportable by Greece (with the exception of wine), the twelve year reduction schedule applied. For goods listed in protocol No. 13 and generally classified

as exported or exportable to Greece by the EEC countries, the 22 year schedule applied. This category included dairy products, meat and rice and required more rapid reductions for certain items such as ham - 40 percent, cheese - 35 percent and butter - 30 percent by 1972.[7] The tariff conditions established by the Association Agreement provided an equitable atmosphere for the development of Greek trade during the long transitional period.

The agreement also specified that by 1977, workers would be free to move between Greece and the EEC in accordance with two provisions of the Treaty of Rome.[8] Article 7 prohibits discrimination of grounds of nationality and Article 48 ensures the free movement of workers within the Community. Greece traditionally has relied on remittances from migrant workers to offset a large portion of the balance of payments deficit and implementation of these articles greatly enhanced the opportunities of the Greek workers.

A third important tenet, Protocol No. 19, granted financial aid from the Community for the development of the Greek economy and its expansion to complementary status with the EEC. The Protocol designated long term (twenty-five year) loans from the European Investment Bank to be used for financing investment in the industrial infrastructure and for expenditure on imports to cover the trade gap the abolition of tariffs might create. A restriction limited the amount of investment to a maximum of $125 million for the

first five year period. Assuming renewability, total funds could have amounted to over one-half billion dolars for the twenty-two year period specified in tariff schedules. Servicing of the debt at 6 percent interest would not have started until after Greece became a full member of the Common Market.[9] By the end of the first five year period however, Greece had absorbed only $69 million of the $125 million maximum and when the Army colonels took control of the government in April, the Community suspended the protocol and froze the remaining $56 million. The five year period subsequently expired on November 1, 1967.

With the restoration of democracy in Greece and the reactivation of the full Association Agreement, the Karamanlis government requested and received the balance of the investment funds in December 1974. Monetary officials fully allocated these by the end of 1975 and urged that a second financial protocol be concluded as soon as possible to meet the rapidly growing investment needs. Bureaucratic inertia delayed resolution of a new protocol until February 1977 at which time Greek and EEC officials signed a $336 million agreement making funds available until October 31, 1981. Of the total, $66 million in grants were approved and $270 million in loans from the European Investment Bank were earmarked.[10]

Based upon growth trends during the first five years of the Association, it can be conjectured that Greece would be a full member of the EEC today if not for the seven year

intervention of Papadopoulos and the military oligarchy. Yannopoulos discusses the effects of the limitations the EEC placed on Greece during this period and emphasizes that although aid funds and policy harmonization efforts were suspended, tariff reductions continued as scheduled.[11] He points out that EEC action limited the Athens Agreement to its "current administration" (géstion courante) which involved the suspensions mentioned but did not really freeze evolution of the agreement as desired by the Community. In fact, because of the complicated process necessary to keep the tariff arrangements functioning between Greece and the EEC, several portions of the original treaty had to be modified.

Yannopoulos cites as an example the conditions surrounding the movement of Greek wines. Since Greece had not accepted the CAP prior to the April 1967 coup and the activation of the "common market for wines" became effective in December 1970, the arrangement for importing Greek wine (different for each country) became unwieldy. The Association Council did not want to suspend the Athens Treaty totally, and therefore had no choice but to harmonize Greek wine agreements with the Community. This circumstance and other similar cases yielded a "piecemeal harmonization" which eventually rendered the limitation of géstion courante an empty threat to the Junta.

When democracy returned to Greece in July 1974 and Mr. Karamanlis led his New Democracy Party to victory in the

November election, a major tenet of his winning platform vigorously supported immediate accession to the EEC. The Association Council restored the Association Agreement in September 1974 and on April 28, 1975, the three new Community members, Britain, Ireland and Denmark signed an Additional Protocol with Greece which became effective in July.[12]

The supplementary agreement immediately cut tariff rates on Greek agricultural and industrial exports to the three by 60 percent, further reduced them by a total of 80 percent in 1976 and completely abolished them by the end of 1977. For imports into Greece, the protocol applied the same classifications of goods used for the original twelve and twenty-two year reduction schedules. For those items falling into the shorter category, the agreement cut the duties charged by 60 percent on July 1, 1975, increased the reduction to 80 percent in January 1976 and applied no tariff after mid-1977. The duty on products in the longer term schedule dropped progressively over the two years following the signing, to align them with the 52 percent rate effective in May 1977. Quota restrictions, with the exception of a few items, were eliminated.

Mr. Stephane Stathatos, Greece's ambassador to the Community, delivered the Greek application for full membership on June 12, 1975. The EEC Council of Ministers accepted the application and, in accordance with Article 237 of the Rome Treaty, requested an official opinion by the European

Commission. The opinion, rendered in January 1976, recommended "that a clear affirmative reply be given to the Greek request and that negotiations for Greek accession be opened."[13] The Commission included a suggestion, however, that a transitional, pre-membership period would be in the best interest of Greece as well as the Community.

The Greek government reacted violently to the proposed delay. Mr. Karamanlis recalled his EEC ambassadors and summoned the ambassadors of EEC countries to explain in emphastic terms that Greece wanted "immediate full integration, not second-class membership."[14] The Greek press headlined the Commissions recommendation as "EC Blackmails Greece"[15] and John Pesamazoglu, the leader of the Greek delegation to the Joint Parliamentary Committee, addressed the problems of pre-membership in a lengthy article published simultaneously in The World Today and the German Europa-Archiv.[16] He asserted that the problems cited by the European Commission were ongoing ones which could be addressed as well during the period of preparation for full membership as in some vague transitional time span. Signor Altiero Spinelli, the Italian industry member of the Commission, in a dissenting opinion supported the Greek point of view and stated that any two-tiered integration system such as the one suggested, could undermine the Community by driving a wedge between the weaker southern states and the stronger northern ones.[17]

The Council of Ministers heeded the backlash of comments, overroad the Commissions opinion, and in February gave the

go-ahead for full scale negotiations without mentioning any pre-accession period. Mr. Karamanlis hailed the decision in a public statement on February 10, 1976:

> I am convinced that Greece will justify the trust placed in her by the other countries of the European Community and that she will become a positive and creative element within Europe.

He also perceptively observed:

> The road leading to our full integration in Europe will be neither short nor easy. For in the negotiations which follow, important economic and technical problems will have to be solved.[18]

In response to this need, Mr. Karamanlis ordered the formation of six special committees to examine areas of the economy and make recommendations for their adaptation to the Community. The areas included: primary and secondary production, employment, trade, international relations, and population.

With regard to the speed of accession proceedings, optimistic opinions projected an eighteen month period for negotiations followed by a year for ratification, setting the actual accession date at Jan 1, 1979. However, Mr. Papaligouras, then Minister of Coordination, indicated in July 1977 that negotiations had just moved into the second of three mandatory phases. He stated that both sides had expressed their original positions and that now negotiation would move to "the more technical, more difficult and more specialized" second stage beginning on October 17th.[19]

He would not make a prediction about the duration of the second and third rounds, but indicated that negotiators were making good progress toward a final agreement. The 1979 date does not allow much time for completing negotiation and ratification proceedings in ten countries.

The Joint Greek-EEC Parliamentary Committee has convened three times between December 1975 and January 1977 to discuss matters pertinent to the association agreement, the progress of the accession proceedings and the political problems of both sides. In a report covering these three sessions, the Committee on External Relations recommended that the European Parliament adopt a resolution, in part stating that:

> Solutions to the problems arising from the transition to (Greece's) full membership must be sought through the adoption of transitional measures and not by means of adjustments to Community rules.
>
> Since Greece's accession to the EEC must promote the interests of both sides, appropriate and mutually advantageous solutions will have to be found during the accession negotiations to all the problems inevitably posed by the transition to membership status.[20]

In light of these statements and the speed of subsequent progress made by the negotiators at the technical and ministerial levels, a more realistic projection for an actual accession date would now be January 1981.

Greece has taken a broad but consistent position during the various accession negotiations. Some of the more

important stands concerned: 1) Regional policy, in which Greece asked for no special concessions except that the country be considered a "single developing region" for aid purposes; 2) Agricultural policy, in which Greece agreed to immediate adoption of the Common Agricultural Policy with three exceptions. First, for tobacco and eating grapes, Community regulations will have to be revised to include Greek varieties, and for peaches, eating grapes, citrus fruit and wines, additional transportation cost offsets will have to be worked out. Second, transitional arrangements will be necessary to implement Community machinery and common prices: for beef, pork, milk and dairy products, five years; eggs, three years; flowers, plants and seeds, two years. Third, new market organizations do not exist and will have to be developed for bulk cotton, dried grapes, figs, alcohol, pine resin and sheep and mutton; 3) Third country relations, in which alignment of Greek duties with Common Custom Tariffs will be gradual over a five year transitional period at the end of which Greece will adopt EEC preferential concessions to appropriate countries.[21]

Negotiators for the Community have not accepted these positions but as Mr. Papaligouras stated, the original desires are out in the open and the remaining negotiation periods will make the necessary modifications to reach a mutual agreement for accession.

Xenophon Zolotas in his analysis of the Greek-EEC relationship emphasizes that the fifteen years of association with the EEC have significantly aided the Greek economy.[22] He also presents statistics to show that the record of Greek growth since 1962 compares more than favorably with the other countries of the Community.

TABLE 2-4

AVERAGE GNP GROWTH
1962 TO 1975
(percent)

Greece	6.8
EEC Six	4.2
EEC Nine	3.8

TABLE 2-5

GREEK GNP PER CAPITA

1962	1/3 of EEC Six average
1974	1/2 of EEC Six average

TABLE 2-6

AVERAGE ANNUAL PRODUCTION
GROWTH RATE
(percent increase)

	Primary Production 1962 to 1974	Industrial Production 1962 to 1975
Greece	4.7	9.4
EEC Six	2.0	4.2
EEC Nine	not available	3.7

TABLE 2-7

AVERAGE ANNUAL INCREASE IN GROSS FIXED CAPITAL FORMATION 1962 TO 1975 (percent)

Greece	6.3
EEC Six	3.8
EEC Nine	3.8

TABLE 2-8

GREEK INDUSTRIAL AND HANDICRAFT PRODUCTS EXPORTED

	1962	1974
Percentage of total Greek exports	11.1	49.9
Percentage of exports to EEC Six	4.8	52.1

TABLE 2-9

GREEK INCOME AS A PERCENTAGE OF GDP

	1962	1975	1976*	1980*
Secondary Production	25.3	31.0	32.8	35.9
Manufacturing	15.8	21.0	21.8	25.0
Agriculture	23.7	18.7	not available	

* Projected percentage of GNP, Greek Press and Information Service, Occasional Paper No. 5, 1977

Source: Tables 4-9: Zolotas, Greece in the European Community

In a similar study, Yannopoulos concluded from mathematical analysis that:

> The preferential treatment accorded to Greek products in the EEC markets by the Association Agreement has indeed exerted a strong beneficial effect on Greek exports to the EEC and that the extent of disadvantages through trade diversion have been practically negligible.[23]

In fact, the share of total Greek exports sent to the Community increased from 35.3 percent to the Six in 1962 to 50.1 percent to the Nine in 1976.[24]

These studies verify that the fifteen year formal association of Greece with the EEC has been beneficial to both the EEC and the Hellenic nation. The question remains whether accession to full membership will benefit the two parties equally as well.

ADVANTAGES AND DISADVANTAGES OF ACCESSION

The benefits of Greece's accession to the EEC are not as obvious for the members of the Community as they are for Greece, but appear to offer much. First, Greece's geographic location provides a stepping off point for European markets to expand into the Middle East, Africa, and even the Balkan states as world tensions shift away from bi-polar orientations. Greece has already made inroads into Middle East and African industrial markets particularly for cement and civil engineering consultation. Second, the destruction of Beruit, at one time the financial center of the eastern Mediterranean, forced large numbers of major institutions to relocate and many have selected Athens. The shift focuses European financial interests on Greece and provides the

arena for major monetary negotiations. Finally, the traditionally sound relationship between Greece and the Arab nations provides a two-way gate for Arab/European contact in a stable environment, a critically important factor when considering the oil question.

A quantifiable benefit for the Community is the addition of Greece's merchant fleet of twenty-five million gross registered tons (grt) to the Community's seventy-five million grt existing capability. This will raise the Community's share of world tonnage from one-fifth to over one-third. Considering that the Community's external trade is mostly seaborn and that it accounted for nearly 40 percent of total world trade in 1975, a 33 percent increase in the fleet is significant.[25]

Mr. Ortoli, Vice-President of the European Commission cited another advantage for the Community in May 1977 during a Brussels symposium dealing with Greece's entry. He indicated that he viewed the enlargment as a stimulus for the Community to "take itself in hand, ... strengthen its capacity and reinforce its dynamism."[26] This view is supported by other officials who have indicated that the demands placed on the Community by a new member in a developing phase of growth will aid the EEC in a fundamental reassessment of its purpose and direction. The decision to directly elect the European Parliament in 1978-79 and provide it with a real mandate may be the first step in this process.

The composition of Greece's agricultural production has caused many reservations about the nation's accession by Community members producing competitive goods. Greek officials point out, however, that if Greece has access to EEC funds as a full member, it can assure that its agricultural exports become more complementary by switching to early or late season varieties, by processing more produce and by broadening the types of vegetables produced. Full membership, taken in this light, will benefit the farming sectors of the Community by relieving competition for such items as citrus fruit and tomatoes.

Mr. Zolotas cites one other advantage for the Community which is often overlooked. He points out that Greece has a large variety of unexploited minerals including bauxite, nickel, iron, copper, magnesium, chromite, asbestos, lead and zinc. Recently, geologists have found significant oil reserves in the Ionian Sea with producible estimates ranging from 40,000 to 80,000 barrels per day. These resources offer the energy and mineral-hungry community nations an additional store of required materials and provide investment opportunities for exploitation and development.

These benefits, available to the Community with Greece's accession to full membership, offer significant advantages not otherwise available. Of course, there are many drawbacks, often cited by critics of the plans to expand the Community to ten.

The budgetary expenditure required for Greece's accession to the Community is most often mentioned as the major disadvantage of the union. The Commission Opinion submitted to the Council in January 1976, indicated that to take Greece into the Community would cost approximately 453 million units of account ($544 million at 1 u.a. = $1.20) in terms of the 1976 budget.

TABLE 2-10

EEC EXPENSES FOR GREEK ACCESSION (m.u.a.)

Agricultural Policy (European Agricultural Guidance and Guarantee Fund - EAGGF)	
Guarantee	220
Guidance	60
Social Policy (Social Fund)	40
Regional Policy (Regional Development Fund)	100
Research Policy	5
Administrative and Personnel Costs	20
Collection Costs	8
	453

Source: Bulletin of the European Communities, Supplement 2/76.

The EAGGF Guarantee section finances support buying of farm produce and pays export rebates when Community prices rise above world prices. The Commission based their estimate for this section on the application of market rules to 1975 Greek agricultural production and determined the

need for approximately 220 m.u.a. primarily in production support buying. EAGGF guidance section funds are earmarked for modernization projects, and the Commission calculated 60 m.u.a. for structural reforms in farm modernization and produce distribution plans. Rules of matching for guidance funds imply an application of three times this amount by the Greek government for the same period.

The Community's social fund supports the relocation and training of workers within the member states. Based once again upon restructuring needs and the shifting of a substantial number of Greek workers from agriculture to industrial jobs, the Commission roughly estimated the 40 m.u.a. figure.

The Regional Development Fund finances investments in areas receiving national aid which have per capita incomes below the Community average. Lack of specific information about conditions in the different regions in Greece handicapped the Commission's capability to objectively estimate the needs for a regional policy. They finally suggested 100 m.u.a. based upon a population pro-rated share of Ireland's 84 m.u.a. and southern Italy's 520 m.u.a. set aside for 1975 to 1977. The estimate included consideration for Greece's large regional disparities.

The validity of the Commission's figures can be questioned because of the subjective methods used to obtain them, but the numbers do serve to put a concrete value on the cost of

Greek accession. It is interesting to note that the 453 m.u.a. is only 6 percent of the total 1976 EEC budget. Greece probably could have contributed about 150 m.u.a. to the Community, dropping the net cost to the Nine to about 300 m.u.a. or 4 percent of the budget. This figure was less than half the compensatory amounts paid out to Britain alone in 1976.[27] The Greek government also points out that a large portion of the cost will be used for funding investment projects which will reduce the aid required in the future as Greece's economic infrastructure becomes modified.

In the agricultural sector, a second disadvantage to the Community is cited by those who feel that Greece may provide an overly competitive amount of the same southern Mediterranean goods already produced by Italy and France. The statistics actually refute this contention. Farming now accounts for only 16 percent of GDP in Greece and total agricultural output would be a mere 5 percent of Community output. Exports by Greece to the EEC are 70 percent industrial and 30 percent agricultural while Greek wine, a critically contested item, is only 1.5 percent of total EEC wine imports.[28] Greece has also stated in accession negotiations that she will be able to apply CAP mechanisms immediately upon attaining full membership in the Community to all markets including fruit and vegetables, oil and fat (olive oil) and wine. This means that Greece will have to accept the official yearly product prices set down by the Council of Ministers and

abide by the same rules controlling the sale of similar products by other Mediterranean member countries. Additionally, as has already been pointed out, utilization of EAGGF guidance section funds may well allow Greek agriculture to restructure toward products which are more complementary to the EEC markets; something she can not presently afford to do.

The remarks by the Commission in the January 1976 Opinion summarize the effects of Greek entry on Community agricultural conditions.

> Greek entry should not give rise either to major changes in the level of the Community's self-sufficiency for agricultural products nor confront the different kinds of market organizations within the Community with a substantially different situation. With the exception of certain products, such as oriental tobacco, some fresh and processed fruit and vegetables, and olive oil, such changes as will result are smaller than the normal annual variations in Community production.[29]

Yet another reservation, and perhaps the one at the heart of the resistance to Greece joining the Community is the perceived delaying effect accession will have on further European union. The Community recently has taken a major step toward further integration by modifying its rules and scheduling direct elections to the European parliament for 1978-79. In the past the Parliament, with its appointed representatives from member countries, has served essentially as a rubber stamp for Commission initiatives, with little

real legislative power of its own. Advocates of further political integration feel that the introduction of another country's policies, orientations and opinions can only undermine what progress has been made. They wish to delay any further expansion of the Community until the existing members establish mechanisms for developing such things as common foreign policy and monetary reforms, hopefully moving the union from intergovernmental to supranational status.

In rebuttal to this philosophy that more members will slow down integration, Mr. Zolotas suggests that Greece is merely going to become the tenth member of the Community by taking the place of Norway which decided by referendum not to join after being accepted.[30] Obviously there are vast differences in the problems the two countries posed for the EEC, but with respect to further integration prospects, perhaps the analogy is not that far fetched.

Mr. Pesmazoglu proposes that the attempts to delay Greece's entry on grounds of restricting integration are more deeply rooted in a desire to limit full membership status to the industrially advanced European countries.[31] He suggests that this bias implies a tiered union with the poorer Mediterranean countries relegated to second class status. This philosophy, he asserts, is in violation of the original Treaty of Rome which is founded on the principle that all peoples of Europe are invited to join the Community on an equal institutional basis.

Closely linked to the integration problem is the fear that Greece's accession will set the precedent for admitting Spain and Portugal, both of whom have officially applied for membership. The economic dislocation and structural problems in these two countries are in many cases more severe than those in Greece and would certainly place more pressure on the Community's support funds. If all three countries were admitted at the same time, the burden would most likely be unbearable. However, neither Spain nor Portugal has requested immediate membership, and both countries realize that they must make progress in many areas before pressing for accession. Greek proponents also point out that the terms of Greece's entry currently under negotiation are similar in most respects to those granted to Britain, Ireland and Denmark, and that the final agreement will contain no new concessions on which to base a precedent not already established.

Finally, critics of Greek accession imply that the Athens bureaucracy is one of the most inefficient and ponderous in Europe, claiming that it "cannot produce reliable statistics or translate relevant documents."[32] Greek officials will be the first to admit that major structural problems do exist in their civil service, but also say that the demands of Community membership will force the administrative echelons to modernize their operations.

Greek membership will of course place additional demands on the EEC bureaucracy including more paperwork and the

translation of all documents into the Hellenic language - a major chore. Already, 38 percent of the Commission's staff is solely responsible for rendering documents from one of the six official languages to another.[33] Since most Greek diplomats are usually fluent in both English and French, they might be persuaded to waive translation into Greek except for official regulations. However, as they are quick to point out, the Community was ready to admit Norway and its extra language in 1973. Greek admittance will also require additional jobs for Greek officials, the appointment of a Greek commissioner, and extra seats on the European Parliament, all complicated, but necessary modifications.

Several plausible objections can be raised against Greece's accession to the European Community. However, each can also be countered by equally reasonable arguments showing that the problems which will be caused by this new member are not insurmountable. In the long run, full membership in the Community can only serve to strengthen Greece which in turn will strengthen the whole union.

The most significant advantage of accession for Greece is the cementing of political ties with the Western democracies. The possibility of a right-wing conservative reaction spawned in the regimented environment of the Greek armed forces still exists. Mr. Karamanlis feels that a formal relationship with the countries of the West will dampen

any actual attempts at a repeat of April 1967. Strong traditional ties with the United States have been considerably muted since 1974 and although still viable, do not offer the guarantees they once did. A full scale union with the major Western European nations can replace this loss.

The major problems associated with Greek economics are rooted in the need for structural reforms; be they agricultural, industrial or investment oriented. The financial assistance available through the various Community funds can significantly contribute to this restructuring process vital to Greece's economic modernization.

In the agricultural arena, Greece has already agreed to immediate implementation of most aspects of the CAP which will help to increase productivity, stabilize the agricultural market, facilitate the marketing mechanism, maintain prices at reasonable levels and ensure a high standard of living for Greek farmers.[34] The technical assistance provided with funds from the guidance section of the EAGGF, for instance, will allow farm officials to attack the "fragmentation of holdings" problem and consolidate the plots into larger more efficient ones. This projection is based upon successful experiences of EEC member nations from 1966 to 1973.

TABLE 2-11

AVERAGE FARM SIZE

	1966	1973	Percentage increase
Germany	10.3ha*	13.0ha.	26
Belgium	7.5	13.1	13
Netherlands	9.2	13.9	51
Italy	6.0	7.7	28
	1971		
Greece	3.5ha		

* lha - hectare = 2.47 acres

Source: Zolotas, Greece in the EEC

A similar substantial increase in plot size for Greece will proportionately increase productivity and allow crop diversification, thus improving export capability. Hitiris asserts that the expansion of the market and the internal and external economies of scale (the restructuring mentioned above provides the opportunity for this) should give rise to substantial benefits in any kind of customs union.[35]

In contrast to the agricultural sector which has remained a problem throughout the period of association, Greek industry has expanded and improved dramatically: industrial exports to the Community increased from $1.6 million in 1962 to $287.6 million in 1974; the values of industrial and / handicraft products in total exports to the Community increased from 2 percent in 1962 to 48 percent in 1974 and thus financed

25 percent of the Greek-EEC trade deficit that year versus less than 1 percent in 1962. Zolotas suggests that full membership in the EEC will further benefit Greece industrially by providing the capability to:

1) Finance a larger volume of industrial investment with European funds,
2) Apply the latest technology and organizational procedures,
3) More easily establish joint enterprises with Greek and European capital,
4) Optimize industrial firm size by providing expanded markets,
5) Absorb the migrant workers who are now unemployed in other EEC countries particularly Germany,
6) More systematically process minerals, ores and other raw materials before export,
7) Protect the home market against monopolies,
8) Utilize the problem solving services of the European investment Bank and the Regional and Social Funds.[36]

Closely linked to both industrial and agricultural expansion is the attraction for foreign investment. Greece's union with the European Community will provide the one feature lacking in past years, the virtual assurance of political stability. As apparent in Mr. Zolotas' enumeration of the advantages for Greek industry, expansion requires capital and capital is available in large quantities from European and American investors secure in the knowledge that they will not lose their money. This increased inflow of foreign funds will provide the smaller business with sufficient capital to take advantage of opportunities. Hitiris states: "National gain from foreign investment is achieved as long

as the value added to output by the investment exceeds the amount appropriated by the investor."[37] Even considering the cost of Greece's generous incentives for attracting foreign capital, the increased guidance and control gained from union with the Community will substantially increase value added gain.

The main factor restricting Greece's economic growth is the balance of payments deficit which stabilized at approximately $1 billion in 1975 and 1976. A major advantage of Greece's accession to full membership in the European Community will be the opportunity to increase exports, thus reducing the deficit.

The majority of the negative balance is currently offset by invisible earnings from tourism, migrant worker wages and shipping. With the increasingly stable environment created by EEC membership, tourism traffic and thus proceeds can be expected to increase substantially even over current favorable conditions. Mr. Tzannetakis, secretary general of the National Tourist Organization, stated that 4.7 million tourists are expected to visit Greece in 1977 compared to 2.2 million in 1974.[38] He indicated that the goals of the organization are to increase the number of tourists arriving during the vacation off-season and to improve the quality of services offered; both of which require significant capital investments. Accession to the Community will provide the opportunity to acquire these funds, correspondingly

increase the tourist traffic and finally cancel a larger portion of the payments deficit.

By joining the Community, Greece will be able to expand her markets, utilize improved technology to become more productive and attract greater amounts of investment capital to restructure her economy. In light of these tempting possibilities disadvantages have a tendency to be ignored but nevertheless must be considered.

The largest single disadvantage Greece will face upon acceeding to full membership will be the application of EEC preferential access arrangements with third countries. These include the European Free Trade Association (EFTA), (Norway, Sweden, Switzerland, Austria, Finland, Portugal and Iceland), the Lomé Convention (46 African, Caribbean and Pacific (ACP) nations), the Generalized System of Preferences (GSP) (112 developing countries), and the eleven other Mediterranean countries.[39] In 1976, Greek imports include only 6.6 percent from EFTA, less that 10 percent from the eleven Mediterranean countries and 2.5 percent from ACP, but these could go higher when tariff barriers are lifted.[40]

Currently for these countries, Greece has: 1) adopted the Common Customs Tariff on products which enter from the Community duty free, 2) in accordance with Article 20 of the Association Agreement adjusted the tariff rate to 50 percent of the difference between the CCT and Greek rates on most other products, 3) suspended the CCT completely

until 1984 on some special products. Greek officials have not taken any steps to implement the Community's preferential agreements or the autonomous GSP reductions. These requirements will become mandatory when Greece acquires membership, subjecting the country to considerably lower import prices, and providing strong competition for home produced goods.

In the same vein accession presents certain disadvantages to Greek industry. Even though nearly two-thirds of all EEC industrial goods are imported to Greece tariff free in accordance with association reduction schedules, a complex system of state aid still protects this sector. Government interest rebates subsidize industrial exports at about 6 percent of the export value and additional "tax perks" push the total benefits to nearly 17 percent of value. This direct support is unacceptable to EEC policy and would have to be abolished, subjecting certain industries to heavy competition, particularly electrical appliance manufacturers, metal working corporations, foundries, machine tool manufacturers and makers of capital goods.[41] Many other industries however, have become strong since 1974 and should be able to adjust to the new unsubsidized structure with relatively minor modifications. Certain transitional measures will be necessary for the less independent firms.

Associated with the industrial outlook is the question of the European Coal and Steel Community (ECSC). To become

a full member of the European Community, Greece will have to join the ECSC, the products of which are not controlled under the Association Agreement. Upon accession Greece will have to dismantle the entire tariff structure on these goods which currently rests at third country levels and is substantially higher than the Community rate. The Greek steel industry appears to be strengthening rapidly but remains small (60 percent of its output produced by one mill in Athens) and significantly subsidized by the state. To remain competitive it will require a transitional period for adjustment.

Another disadvantage of full membership for Greece is the cash cost of that membership. Greece will be required to make direct contributions to the European Development Fund, the capital of the European Investment Bank and the ECSC fund. To help finance the Community budget, Athens must also send a portion of agricultural and CCT levies and a percentage of the Value Added Tax (VAT) base determined by the council to union treasuries.[42]

TABLE 2-12

GREECE's HYPOTHETICAL BUDGET PAYMENTS TO THE EEC 1976 (m.u.a.)

Agricultural levies	70
Customs duties	8
.52% of the VAT base	73
Total	151

Source: Bulletin of the European Communities, Supplement 2/76.

With regard to the VAT, Greece currently relies on a taxation system primarily utilizing indirect methods which are not of the value added type. Transition to a VAT to meet Community requirements will require significant restructuring.

Joining the Community will have its price tag for both Greece and the member nations, but the long range benefits reaped by all should far outweigh these "initiation fees." As indicated, one of the most important far reaching implications is the political effect of Greece's accession. The final portion of this chapter evaluates that consequence.

POLITICAL IMPLICATIONS

Greece made the original decision to cast her lot with the European Community in 1959 when she began negotiations for association with the EEC rather than EFTA. She made the choice consciously and centered it politically on the belief that the member nations would strive to develop the Europe described in the Treaty of Rome. Thirteen years later, Greece's official request for full membership continued this theme.

> Europe is now engaged in a process of integration; and Greece desires to be present in this and to makes its contribution to the efforts which will assuredly lead to the outstanding event of the present century.[43]

Mr. Karamanlis, prime minister during the consolidation of the EEC Association Agreement, reasserted since his return to leadership in July of 1974 that Greece's political

ties lie with the West and that his major goal in office is to cement this relationship, initially by full membership in the Common Market. He has also reiterated this stand over and over again since that time.

June 12, 1976 — To the Greek Parliament:

> Greece, politically, strategically, economically and culturally belongs to the West ... Greece's membership in the Common Market will constitute a safeguard for her democratic system, a strengthening of her security and an acceleration of her economic and social development.[44]

July 27, 1976 — At the opening of the official accession proceeedings in Brussels:

> Our entry into the EEC marks the vindication of a major policy formulated 15 years ago, aimed at making Greece a full member of the families of peoples of western Europe. It is a great policy which will shape the future of Greece for many generations to come.[45]

April 2, 1977 — To the New Democracy Party Congress:

> New Democracy believes that Greece's place is with the democratic West, with which it has long standing ties in politics, economics and defense ... Within Europe, Greece can hasten its economic and social development and strengthen its defense ... Entry into the EEC (will make our) economic political and defense destiny identical with that of a United Europe.[46]

When Mr. Karamanlis advanced the general parliamentary elections to November 20, 1977, a full year ahead of schedule, he cited the "critical negotiation period for Greece's accession to full EEC membership" as one of three major reasons for the earlier date. At his first campaign speech

in Thessalonike, November 2, 1977 he stated:

> Greece belongs to the West, and full membership in the EC will decisively influence the country's course for many a generation.[47]

Former cabinet minister Yeoryios Dhrosos described the extent of Greek political dependency on Europe when he asserted that Greeks have no real "blood relatives," i.e., Anglo-Saxons, Latins, Slavs or Moslems, and that "relatives are indispensable" in the world today and therefore Greece must "manufacture in-laws." These in-laws are the nations of the European Community, soon to be politically united and with full membership providing Greece an equal say in the destiny of the world. To be heard, Greece must join "the family."[48]

Despite detailed discussions reguarding the disadvantages to the Community caused by Greece's accession, member countries and EC officials have strongly supported Greece's application. Particularly gratifying has been the unreserved assurances offered by Italy, the nation which agriculturally Greece's accession could hurt most. Italian Prime Minister Guilio Andreotti, during an official visit in May 1977 stated:

> For Italy, the warm support accorded to the request for Greece's entry into the European Community has become an act of conscience and consistency.[49]

He assured the Greek people as he departed:

I reaffirmed to (Mr. Karamanlis) the Italian government's support of Greece's admission to the EEC. I repeat that this support is absolute and sincere.[50]

Germany has also demonstrated considerable support for Greece's entry into the Community. In June of 1976, the Bonn government honored Greece at the Dortmund Week Festival, a yearly event which singles out for praise one particular country Germany associates with through the Common Market. Germany's Minister of Culture, speaking for Chancellor Schmidt, stated during the festivities:

> The Federal Republic agrees in principle with all the Greek views on the EEC. Greek admission (will) be costly to the Community ... but compared with the political targets to be achieved, the financial considerations (are) secondary.[51]

West German Vice Chancellor Genscher officially visited Athens in August 1977 and further solidified Germany's support by reiterating that his government would contribute "with all its strength" to make Greece a full member of the Community as quickly as possible.

In February 1976, Mr. Papaligouras, the ranking Greek official on negotiation proceedings, conducted a successful visit to the Benelux countries where he met with Common Market ministers and Commission officials. He stated on his return that the "road to Europe lies open" and that Greek prestige stood high in the eyes of these Common Market countries.[52]

In May 1977, Mr. Karamnalis met with Mr. James Callaghan and received the Prime Minister's assurance that Britain

would "work to overcome any difficulties" concerning Greek membership and provide full support for the Greek application.[53] At the same time Mr. Karamanlis had successful meetings with the Prime Ministers of Denmark and Luxembourg and President d'Estaing of France. In March, Le Monde had published an article describing an alleged "new French Doctrine" urging caution on the timing of Greek entry into the Community, but this did not seem to dampen the Greek-French exchange in Paris.[54]

Ireland's Foreign Minister Michael O'Kennedy visited Athens on September 9, 1977 and at the completion of talks with Greek officials signed a joint communique reiterating his country's wish to "warmly support the accession negotiations until they terminate in the shortest possible time."[55]

Since filing the formal application for accession in June 1975, Greece has received at least tacit support from all members of the EEC and in most cases strong assurances that the negotiations will be urged along as quickly as possible because of the political importance attached to Greek membership. During the remaining negotiation period certain key issues will surface.

First is the question of Greece's effect on Turkey's later entry into the Community. Turkey initially reacted to Greece's application for full membership without objection. Some months later however, when it appeared that Greece would succeed in its bid fairly quickly, Ankara began opposing the accession. Officials felt the negative reaction

occurred because of the unanimity vote required by all EEC members on any admission. Greece's vote could thus block Turkey's entry at a later time (1995 projected). Greek officials replied to this concern by stating that Greece would never veto Turkey's admission when the conditions for her acceptance were met (Mr. Karamanlis has reaffirmed this twice publically). They further assured Commission President Ortoli in July 1975:

> The presence of the two countries in the Community would ease their relations with one another and give them the opportunity of overcoming their problems.[56]

Supporters of Turkish efforts to keep Greece out of the Community argued that such attitudes would not necessarily be binding on future Greek governments, and that Greek politicians would be under considerable pressure to deny future EEC aid to Turkey and further concessions under the Turkish Association Agreement.

Greek officials admit that they do not see the Community as a mediating body designed to spell out terms of Greek-Turkish settlement. Mr. Pesmazaglu, recent leader of the representatives to the Joint Greek-EEC Parliamentary Committee stated:

> The view that the European Community 'should urge upon Greece and Turkey the need for them to reach just and lasting solutions to the differences which separate them' is deemed unacceptable by Greece.[57]

Thus the problem remains a thorny one relative to both current negotiations and future considerations.

Second, many European officials, notably Germany's Helmut Schmidt, hope that bringing Greece into the Community will help to speed her return to the NATO fold. This reconciliation would greatly shore up the sagging southern flank, a major concern with increasing tensions in the Middle East, Africa and more recently Yugoslavia over Tito's succession. Others, including many Greeks, consider the European Community and NATO two non-associated entities. In fact one newspaper described the current accession proceedings as balancing "divorce proceedings in NATO with marriage negotiations in the Commission."[58] Mr. Karamanlis attended the NATO summit meeting in May 1977 but reasserted his position that Greece would only return to the military structure of the alliance when the "conditions which compelled her to withdraw" (anti-American feeling and the Cyprus dispute with Turkey) ceased to exist. In actuality, Greece cooperates in much of the day-to-day work of NATO, has recently taken part in naval maneuvers in the Aegean and in October 1977 suggested a new special status arrangement which immediately commits Greek forces to NATO commanders in times of international crisis. Also in October, Athens signed a new four-year $700 million bilateral aid and base rights agreement with the United States. These conditions indicate that Greece's attitude toward NATO remains positive, but that accession will solidify the relationship once again.

Third, domestic politics (i.e., the conflict between parties for and against EEC entry) has always played a significant role in the accession question. A major tremor shook the accession bargaining structure in January 1977 when the two top negotiators resigned. Mr. Nicos Kyriazides, the delegation leader, apparently did not disagree with the strong official position that political considerations must take priority, but did contend that basic economic interests should not be sacrificed in the process; in other words, the question of how willing should the Greek negotiators be to back down from stands on economic problems (particularly agricultural) for the sake of speeding up the negotiation process and quick entry. This challenge did not sit well with Mr. Papaligouras who replaced Mr. Kyriazidis with Mr. Byron Theodoropoulos, a delegate more oriented toward the relative priorities of the Minister of Coordination and Mr. Karamanlis.[59]

The dismissals brought a furor of criticism from the opposition parties, particularly PASOK, the far left Panhellenic Socialist Movement led by Andreas Papandreou.[60] Mr. Papandreou withdrew his party's representative from the Joint Greece-EEC Parliamentary Committee in protest and stated that the problem of admission to the EEC had been purposefully simplified by the administration. He asserted that three major areas were being overlooked and that:

1) Greece is being forced to accept the intervention of the EEC directorate on a solution to the Turkish problem,

2) The economic terms of admission developed in negotiations will "lead to the extermination of our economy",

3) The EEC is a union of "multinational monsters" which will absorb and weaken Greece as an under-developed border country.[61]

The PASOK expanded on these views in May 1977 at a Brussels symposium organized by the Université Libre de Bruxelles. In a paper presented by Professor Simitis, the party contended that the negotiating policy of the Karamanlis government "relies on statements of good intention by the Nine, while in fact neglecting to guarantee vital Greek economic and political interests." The paper goes on to offer a neutralist position in lieu of accession:

> The Greek Socialists Party believes that Greece would do better to readjust its relations with Western Europe and seek wider collaboration with the Balkan and Mediterranean countries with the goal of external economic policy which does not only turn towards the USA and West Europe.[62]

In a September interview with Le Nouvel Observateur, Mr. Papandreou stated:

> The Common Market problem will be Mr. Karamanlis' Waterloo. He has made Greece's EC entry the number one theme of his national policy. He has thus stripped our delegation of all its negotiating arguments.

When asked why the Karamanlis government was organizing new elections a year early he replied:

Today Karamanlis can still convince the people that Greece's entry into the Common Market is going to take place. In reality, it has been postponed indefinitely and next year it will no longer be possible to deceive anyone.[63]

In contrast to the PASOK position and similar views held by the pro-Moscow Communist Party of the Exterior, Karamanlis' New Democracy Party, the EDIK or Center Union-New Forces, and the Communist Party of the Interior (Eurocommunist) all support accession. The following table summarizes the relative strength of these parties following the 1974 and 1977 elections.

TABLE 2-13

GREEK PARTY STRENGTHS

Party	1974 Percentage of vote	1974 Seats	1977 Percentage of vote	1977 Seats
New Democracy	54	216	42	173
Center Union	21	58	12	15
PASOK	14	12	25	92
United Left*	10	8	12	13
Other	1	6	9	7
Total	100	300	100	300

* includes the Communist parties of the Interior and Exterior plus splinter groups

Sources: Time, December 5, 1977; 1975 Yearbook on International Communist Affairs

The Greek government has no plans to hold a referendum on the EEC question. In an opinion poll conducted in

April 1976 by the Institute of Communications Research however, those who answered the question: "Would Greece be helped or harmed by entry into the EEC?", 50 percent said membership would help Greece and 18 percent thought it would be harmful.[64] The survey showed that education and income of the respondents made little difference in their replies but that older Greeks (ages 45-64) felt accession would help.

The international and domestic political implications for Greece's accession to the European Commnity are significant and although the member states have assured Greece that they are behind quick accession for the Hellenic nation, the thorny problems of Turkish association and NATO realignment loom large over the negotiating table.

The effect of EEC association on Greece, must be counted as a positive factor in her development over the last sixteen years and although when evaluating accession, the advantages for Greece and disadvantages for the Community seem to predominate, the overall balance of the benefits for both is not drastically skewed. What remains then is to examine more fully the more critical factors that have played key roles in Greece's economic development and EEC association periods.

FOOTNOTES

THE GREEK-EEC RELATIONSHIP

[1]"Greece and the European Community," External Relations Information Bulletin 124/76, Commission of the EEC, 2.

[2]The Association Agreement does not guarantee full membership automatically at the end of the transition period (1984), but Article 72 does provide for application for accession at any time during the life of the association.

[3]"Greece and the European Community: From Association to Accession," Greek Press and Information Service, Occassional Paper No. 5, Sep 20, 1977, 2.

[4]George N. Yannopoulos, Greece and the EEC: The First Decade of a Troubled Association (Beverly Hills, Ca.: Sage Publications, 1975), 7.

[5]Ibid., 9.

[6]"Opinion on Greek Application For Membership," Bulletin of the European Communities, Supplement 2/1976, 23.

[7]"Greece and the European Community," Occasional Paper No. 5, 2.

[8]"Migrant Workers and the European Community," European Report No. 327 (May 22, 1976), 3.

[9]Theodore Hitiris, Trade Effects of Economic Association with the Common Market: The Case of Greece (New York: Praeger, 1972), 150.

[10]Western Europe, Foreign Broadcast and Information Service (FBIS), 2 Mar 77, 53; and Greece: A Monthly Record – Jan 77, 1.

[11]Yannopoulos, Greece and the EEC, 24-28.

[12]Economic and Statistical Bulletin, National Bank of Greece, Jul-Aug 1975.

[13]"Opinion on Membership," 9.

[14]"Pre-membership be Damned," Economist, 258 (Feb 7, 1976), 56.

[15]Stephen Milligan, "The Greek-EEC Love Affair," European Community, Mar 1976, 19.

[16]John Pezmazoglu, "Greece Proposes Accession to the EEC," World Today, 32 (Apr 1976), 150.

[17]"Pre-membership be Damned," 57.

[18]Greece: A Monthly Record - Mar 76, 1.

[19]FBIS, 26 Jul 77, S6.

[20]"Report of the Recommendations adopted by the EEC-Greece Joint Parliamentary Committee," European Parliament Working Documents 1976-77, S46/76 (Feb 4, 1977), 5.

[21]US Department of State, "Europe (New Series)," No. 2147, 9.

[22]Xenophon Zolotas, Greece in the European Community, Bank of Greece Papers No. 33 (Athens: Bank of Greece, 1976), 11-12.

[23]Yannopoulos, Greece and the EEC, 20. The author also compares his work with the 1972 study by Hitiris (Trade Effects, Greece) which predicted that the Association Agreement would produce welfare gains to the Greek economy from the changes in trade flow.

[24]"Greece and the European Community," Occasional Paper No. 5,6.

[25]"And Greece Makes Ten," Economist, 260 (Aug 14, 1976), 64.

[26]"Greece and the European Community," Occasional Paper No. 5, 11.

[27]Ibid., 10.

[28]"And Greece Makes Ten," Economist, 258 (Jan 31, 1976), 56.

[29] "Opinion on Membership," 14.

[30] Zolotas, Greece in the EC, 19.

[31] Pezmazoglu, "Greece Proposes Accession," 148.

[32] Steve Roberts, "Greece is Facing an Uphill Fight for Admission to the Common Market," New York Times, Jan 24, 1977, 6.

[33] "And Greece Makes Ten," Economist, Aug 14, 1976, 64.

[34] The Facts (New York: European Community Information Service, 1974), 9.

[35] Hitiris, Trade Effects, 9.

[36] Zolotas, Greece in the EC, 34, 35.

[37] Hitiris, Trade Effects, 20.

[38] Melissa Cutter, "Greece Seeks Off-season Tourism Hike, Better Service," Christian Science Monitor, Oct 25, 1977, 33.

[39] "The European Community and the Developing Countries," European Documentation, 1977-1, 5,7,12.

[40] "Opinion on Membership," 18. Statistics for the 112 GSP nations are not available.

[41] "And Greece Makes Ten," Economist, Aug 14, 1976, 62.

[42] Emile Noël, Working Together, The Commission of the European Communities (Yeoril, England: Edwin Sneil Printers, (no date)).

[43] "Greece and the EC," Information Bulletin 124/76, 7.

[44] Greece: A Monthly Record - Jun 76, 1.

[45] Greece: A Monthly Record - Jul-Aug 76, 1.

[46] FBIS, 4 Apr 77, S3.

[47]Peter Mellas, "Karamanlis Seeks a New Mandate," Christian Science Monitor, Nov 2, 1977, 15.

[48]FBIS, 19 Jan 77, S3.

[49]John K. Cooley, "Faltering Economy May Hold Up Greece's Bid to Europe," Christian Science Monitor, May 27, 1977, 18.

[50]Greece: A Monthly Record - Jun 77, 1.

[51]Greece: A Monthly Record - Jun 76, 2.

[52]Greece: A Monthly Record - Mar 76, 2.

[53]Greece: A Monthly Record - May 77, 2.

[54]US Department of State, Telegram from AmEmbassy, Athens, Mar 11, 1977.

[55]FBIS, 12 Sep 77, S3.

[56]"Greece and the EC," Information Bulletin 124/76, 7.

[57]Pezmazoglu, "Greece Proposes Accession," 149. The quote Mr. Pezmazoglu cites appears in the Commission Opinion on Greek Application for Membership, p 7.

[58]"Greece and the European Community," Occasional Paper No. 5, 8.

[59]Department of State, Embassy Report, American Embassy, Athens, Feb 1977.

[60]PASOK drew only 14 percent of the vote and 12 seats in the 1974 elections but considerably improved its position in November 1977, capturing 25 percent and 92 seats to become the major opposition party.

[61]FBIS, 18 Jan 77, S1.

[62]Department of State, Institutions and Policy Coordination Briefs, No. 416, Jun 11, 1977, 3.

[63] FBIS, 4 Oct 77, S3.

[64] "And Greece Makes Ten," Economist, Aug 14, 76, 60.

MAJOR FACTORS IN THE GREEK ECONOMY

This section of the study will evaluate nine factors which, in the opinion of the author, are central to an analysis of Greek economic stability. It will provide a brief description of the significance of each factor to future Greek economic development, a determination of the effects of EEC accession on the factor and a tabulation of the available numerical indicators showing factor movement.

ENERGY

Greece faces a rapidly expanding demand for energy. Primary needs increased over 12 percent annually from 1963 to 1973 and electric power consumption increased 17 percent per year over the same period.[1] Foreign supplies of energy still account for 50 to 75 percent of this requirement and in 1976, mineral fuels and lubricants totaled 20 percent of the value of all imports. Crude petroleum imports (84 percent of fuel imports) trebled in volume from 1970 (4.8 million tons) to 1974 (13.1 million tons)[2] and in dollar value terms increased 800 percent.[3] Considering Greece's balance of trade deficit (about $3.5 billion in 1976) the fuels problem is critical.

The Greek government developed a long term plan in October 1975 to exploit all possible indigenous energy resources. The National Council of Energy (NCE), established at that time, works closely with the Public Petroleum

Corporation (PPC) and comprises the senior advisory board for all energy matters. Shortly after its formation the NCE presented recommendations to Athens.[4]

1) Fuel savings — strictly evaluate new industries requiring large amounts of energy, reorient with technology and incentives toward alternate production modes,
2) Petroleum use — reorganize the petroleum use cycle to better meet world oil conditions,
3) Emphasize source changes — revise pricing of energy supplies, favor the use of indigenous sources,
4) New sources — accelerate the prospecting for all forms of indigenous energy (lignite, oil, natural gas, solar, and geothermal).

The Karamanlis government acknowledged the importance of the recommendations of the council, particularly those dealing with oil. Petroleum has become more and more important to Greece since 1960 when Mr. Karamanlis' old regime began shifting away from indigenous solid fuels to the cheap, easily importable liquid products. Greece's industrial expansion soon came to depend upon the new type of energy not only for manufacturing exportables (including high value aluminum) but because oil refineries formed the center of major industrial complexes: Esso/Papas—refinery, petrochemicals and steel; Onassis — proposed refinery, aluminum smelter, petro-chemicals, power stations; Niarchos — refinery, chemicals. These refineries produce petroleum products for domestic use but also for export (10 percent of total exports in 1975).[5]

In light of demand, the Athens administration intensified the search for Greek oil begun by the Junta in 1973-1974.

The primary exploration company, Oceanic Exploration, an American firm, reported tapping an efficiently exploitable field (Prinos) off the Aegean island of Thassos late in 1974. Reserve estimates have varied since then from 25,000 barrels per day (BPD) to 180,000 BPD. Most estimates cluster at 50,000 barrels of crude and ten million cubic feet of natural gas per day for the next fifteen years, with reserves totaling 177 million barrels of petroleum and 46.1 million barrels of liquid natural gasoline. If these figures are accurate, the Prinos fields alone could cover one-fourth to one-third of Greece's current oil requirements by the end of 1980.[6]

The government also processed more than fifty applications in 1976 for oil drilling rights in other parts of Greece, including the continental shelf of the Ionian Sea, the Nestos River delta in south-eastern Macedonia, and the Peloponnesus. As yet, these sites are unproven but some have displayed promising preliminary results. French, German, American and Romanian companies have joined these exploration efforts. Even if these sites do yield substantial domestic oil reserves, electricity produced by oil-burning generating plants will remain expensive. For this reason, the Karamanlis government specifically heeded the recommendations of the National Council of Energy and accelerated the development of other indigenous energy sources, the most abundant of which are lignite and peat.

Proven lignite (brown coal) reserves are set at 1.5 to 2 billion tons from sites at Ptolemais, Megalopolis and Crete with the possibility of two to three times this amount in other exploitable areas. Electricity produced by lignite-fired generators costs about one-third that of oil burners and can be provided entirely from domestic sources.[7] The government projects completion of a minimum of six new 300 megawatt lignite burning units by 1983 to 1986; three are already in operation.[8]

Extensive peat deposits exist in the plains of Phillippi in northeastern Greece which the Soviet Union contracted to develop in 1973. The agreement specified the construction of a 375 megawatt peat burning power station at a cost of $89 million. Since the quantity of peat is enormous (about four billion metric tons) and its heat generating capacity (caloric value) is three times that of lignite, the possibilities for future use as a substitute energy source are many.

Nuclear energy also plays a role in the government's long range plan. In March of 1977, teams from the International Atomic Energy Agency and the Institute of Geological Studies discovered uranium in Thrace. Preliminary analysis indicates that exploitable quantities of the ore exist in the area and geological mapping has begun.[9] Greek officials, including Professor E. Gyftopoulos, Counsellor of Energy, determined that the country should acquire its first nuclear reactor power station by 1986-1987.[10] They tentatively

decided to locate the 600 megawatt facility at Lavrion on the tip of the Athens-Piraeus peninsula. It will help to supply the demands of the metropolis which uses 35 to 40 percent of the country's total electrical output.

Greek energy researchers also recommend expansion of hydroelectric capability which currently stands at about 900 megawatts, less than one-eighth of feasible capacity.[11] Key facilities exist in central Thessaly and on the Peloponnesus with a major new plant nearing completion at Sfikia in southern Macedonia.

To complete the list of future possibilities, the National Council of Energy recommended investigating geothermal resources on the islands of Micos, Nisyros, Methana, Kamena, Vouria and Ikaria, and encouraged membership in the National Committee on Solar and Wind Energy. In conjunction with the latter suggestion, the Greek government established a solar-technical section of oceanological research on the island of Coroussa, and several nations elected to found the International Center for Solar and Wind Technology there as well. In January 1977 the Hellenic Industrial Development Bank began a research project aimed at devising a plan to heat water in apartment blocks with solar techniques.[12]

The majority of all these exploitable energy sources develop electric power. The Public Power Corporation is solely responsible for the generation, transmission and distribution of all electricity in Greece. It has doubled

installed capacity every five years since 1960. Transmission systems are connected to the national systems in Yugoslavia and Albania and service over 3.5 million Greek customers representing about 98 percent of the population.[13]

Realizing the critical limitations on external liquid energy sources, the Greek government modified its requirements and diversified its energy base in the direction of domestic sufficiency. Michael Wall projects that if Greece continues its present efforts, by 1992 indigenous sources should totally supply electricity requirements.[14]

TABLE 3-1

SOURCES OF ELECTRIC ENERGY PRODUCTION IN GREECE (percent)

	1974[a]	1975[b]	1980[b]	1992[a]
Oil	45	41.3	26	7
Nuclear	-	-	-	9
Hydroelectric	18	13.7	18	18
Lignite-Peat	37	45	56	66

Sources: a) Wall, "A Survey of Greece," Economist, Sep 20, 1975, p. 27.

b) Overseas Business Reports, No. 76-17.

Effect of Accession

The EC Commission's opinion on Greek application for membership states that "Greek membership is not likely to affect the overall energy balance" in the Community since

Greece's indigenous production will not "outstrip domestic demand in the foreseeable future."[15] However, improved technology aids from the Community, such as modern data analyzing methods, will help Greece to develop its own resources more quickly and reduce the quantity of energy imports.

Once accession has occurred, increased availability of financing may allow Greece to construct new industry which will place greater demands on energy but hasten the follow-through on energy development programs. Accession should not hinder Greece's plans for domestic energy production but rather enhance growth and encourage self-sufficiency.

TABLE 3-2

GREEK ELECTRIC ENERGY PRODUCTION
AND GENERATING CAPACITY

	Production (million KWH)		Installed Capacity (megawatts)
Year	Total[a]	(1959=100) Index[a]	Total[b]
1970	8991	458.2	2495
1971	10611	540.8	2695
1972	12034	613.4	2857
1973	13546	690.4	3443
1974	13724	699.4	3988[c]
1975	14618	745.1	4736[c]
1979[d]	21300	1085.6	5700
1984[d]	27307	1391.7	7100

Sources: a) Statistical Yearbook of Greece, p. 258.
b) Statistical Yearbook of Greece, p. 464.
c) Statistical Yearbook of Greece, p. 261.
d) Greece: Business in Greece, p. 15.

TABLE 3-3

GREEK AND EEC ELECTRIC ENERGY PRODUCTION 1973

Country	Million KWH	Population (millions)	KWH per Capita
Greece	13546	9.05	1496
Belgium	41067	9.80	4190
France	174080	52.91	3290
Germany	298995	61.83	4835
Denmark	18004	5.06	3558
UK	282128	55.96	5041
Italy	145518	55.81	2607
Netherlands	52628	13.65	3855
Ireland	Not Available		
Luxembourg	Not Available		

Source: Statistical Yearbook of Greece, 1976.

TABLE 3-4

GREEK CRUDE PETROLEUM IMPORTS ($ million)

Year	Value	Percent Increase	Percent Total Imports
1970	76.73	01	03
1971	85.30	11	04
1972	142.84	67	06
1973	328.75	130	09
1974	845.54	157	19
1975	1028.01	21	19
1976	1034.80	0.66	17

Source: OECD Survey Greece - 1977, p. 48.

DOMESTIC AND MIGRANT LABOR

Domestic Labor

The Ministry of Employment and the National Labor Exchange closely supervise conditions of employment in Greece. These agencies have set the minimum employment age at fourteen years, restricted females from underground work, barred males under sixteen and females under eighteen from hazardous or unhealthy jobs and prevented minors under eighteen from working at night.[16] In certain cases, regulations require males under nineteen and females under seventeen to serve apprenticeship periods at reduced pay, and many jobs require specific qualifications for which applicants must present appropriate certificates of training before hiring.

One of Greece's major labor problems remains a lack of skilled workers. The Labor Exchange is attempting to combat this by encouraging expansion of vocational training facilities and programs, but progress is slow.

Until recently, high level professionals in industrial management, agricultural science, research science, tehcnical engineering, and advanced education tended to leave Greece in search of more lucrative positions abroad. Conversely, a general excess of professionals existed in law, literature, architecture and administration.[17] Improved pay scales, increased industrialization and greater foreign corporation involvement have turned this pattern around within the last twenty-four to thirty-six months.

In the lower level job market, the problem of seasonal employment, particularly in the agricultural and services sectors, continues to make coordination a problem between those seeking employment and the National Labor Exchange which is responsible for filling jobs. Since all persons looking for work must now register with the Exchange, its informational and job/employee matching capabilities are improving.

The normal workweek in Greece consists of forty-five hours (six days at 7.5 hours each). The Employment Ministry must approve all overtime and regulations require employers to compensate workers for annual leaves ranging from eight to twenty-six days or more depending on job type and length of service.[18] In cases of illness, employees must pay the difference between Government Social Insurance compensations and the individual's salary or wage for at least the first month.[19]

Industrial trade unions base their organization on area, occupation or industry groups which in turn form labor centers and then national federations. The Greek General Confederation of Labor (GSEE) heads all the national organizations, receives recognition from the Greek government and affiliates with the International Confederation of Free Trade Unions. The labor organizations have the right to strike and to bargain officially over wages and benefits.

The GSEE, the Federation of Greek Industrialists (SEV), which is an employers' union, and the government Ministry

of Labor usually determine national collective labor agreements by joint negotiations. In December 1975, GSEE denounced the agreement placed into effect the first of the year and demanded a 32 percent minimum wage hike across the board to combat inflationary trends. They also called for automatic individual wage and salary adjustments for every three years with the same firm and uniformity of annual leave entitlements for all classes of workers.[20] The SEV initially rejected the demands, but after adopting several intermediate measures, it finally consented to an agreement which satisfied GSEE wants and actually increased the minimum wage 34 percent for men and 43 percent for women from the beginning of 1976 to the middle of 1977.[21]

Migrant Labor

A special word is necessary about the impact of migrant labor on the Greek economy. In the early 1960's, when population began to outpace job availability, more and more unemployed Greek workers began looking for jobs outside the country.

TABLE 3-5

EMIGRATION FROM GREECE
(Thousands)

Year	Total
1961	58.8
1962	84.0
1963	100.1
1964	105.6
1965	117.2

Source: Herrick Area Handbook for Greece, p. 56.

The exodus accomplished two things for the government: it absorbed a large percentage of the unemployed workers, and it provided a valuable source of foreign exchange inflow which significantly helped to offset the balance of trade deficit.

TABLE 3-6

BALANCE OF TRADE AND EMIGRANT
WORKER REMITTANCES
($ million)

Year	Balance of Trade	Remittances	Percent Deficit Covered
1962	-397.7	139.1	35
1964	-555.0	176.8	31
1966	-745.4	235.0	35

Source: Herrick, Area Handbook for Greece, p. 263.

Officials hoped that the workers' experiences in the more advanced Western European countries would provide them with training in skills that they could later apply in an industrially expanding Greece. In some cases this occurred, but in most, the receiving states relegated emigrants to lesser jobs and menial tasks which provided little experience of value. A 1975 OECD Observer article states:

> The fragmentation of the work generally assigned to the foreign worker tends to make him a performer of repetitive tasks, his only training a familiarization with industrial discipline. This may be valuable but would hardly equip him to

> perform the functions of a skilled worker on his return home ...[22]

Since the downturn of the economic environment in Europe, many Greek immigrants found conditions worsening for them in the host countries. UPI correspondent Bjorn Edlund discusses the example of Sweden and cites Swedish Bureau of Statistics figures which show that immigrants work in lower paid jobs, live in poorer housing, suffer from more crowded conditions, have twice as many late-night shifts and high-risk jobs and generally experience a lower standard of living than native Swedes.[23] In Germany, the most popular country for Greek immigrants, conditions appear worse where most live crowded in urban slums. In West Berlin, many Germans consider the Greek <u>Gastarbeiter</u> (guest workers) "simpletons, primitives and <u>Drecksshweine</u> (filthy pigs)."[24] France has so many unemployed immigrants (100,000 out of 1.2 million are jobless) that Prime Minister Raymond Barre presented a plan in April 1977 offering all non-resident workers who would return home a $2000 bonus and a second class plane ticket.

The European Community has evaluated the migrant worker question in great detail and has attempted to improve the conditions facing laborers from non-Community member countries. Mr. Patrick Hillery, European Commissioner for Social Affairs, indicated in a recent report that the fundamental aim of the migrant workers' action program should be "the progressive elimination of all discrimination as

regards living and working conditions from the moment when, in the case of migrants from third countries, they have been authorized to work in the Community."[25] Toward this end, the Commission supported the principle that the language and culture of origin should be taught to the children of migrant workers. It granted aid from the European Social Fund to help the member countries pay for this training. As the Nine implement this program in various ways and at various speeds, migrants who remain in EC countries ultimately should see more equitable treatment.

Notwithstanding the EC efforts to improve conditions, many emigrant Greek workers have considered returning home. If they do not all return at once, the Greek economy should absorb them without much difficulty; however, certain drawbacks will result. The migrants bring back both culture and ideas from their experience. They have seen modern societies and the benefits of highly industrialized economies. Thus they become impatient and easily frustrated when confronted with Greek bureaucratic inertia. Politically, they have witnessed progressive ideas in action and can compare these to the generally conservative programs at home. These factors could move many to support the more radical advocates of change and significantly increase the power of left parties like the radical PASOK. Financially, their remittances have traditionally offset significant portions of the balance of trade deficit (24 percent in 1976), a critical asset which the economy will lose if they return home.[26]

Effect of Accession

Full membership in the EEC and the application of all rules and regulations will open Greece to increased competition from many sectors. As pointed out, certain industrial firms employing a substantial number of people may be unable to stand the competition and go out of business, increasing the unemployment rate until those displaced can find new jobs. The free access conditions for all workers (including professionals), to all member countries, will provide the opportunity for linguistically qualified engineers, though critically needed in Greece, to move to more lucrative jobs in the Community. However, the free movement rules also will encourage overages of lawyers and architects to seek employment elsewhere.

Greek union leaders strongly support accession because of better labor and union protection provided by EC member countries, improved working conditions and better pay.[27] Mr. Papaligouras, Minister of Coordination, stressed in a March 1977 statement on the new collective labor agreement that the effect of full membership competition on Greek business will help eliminate the super profits of large, wealthy, monopolistic firms and equalize some of the vast income differentials between sectors of Greek society.[28]

With regard to migrant labor, critics of Greek accession to full membership assert that the guarantee of free labor movement under the Treaty of Rome will rapidly increase the

number of Greek workers in other member states. Statistical indications over the last two to three years, however, show that migration from Greece is slowing and that the number of workers returning to Greece is steadily rising. With the increase in industrialization, the development of more jobs and the improvement of working conditions and pay scales accompanying Greece's accession, this homeward trend should continue, and new migrations should decrease markedly.

Weaver indicates from her research that many Greek migrants will return from Western Europe because they have fulfilled their "short-term financial objectives."[29] Nearly 100,000 have arrived home in the last three years already, most returning to the towns or regions of their birth. Hopefully, employment opportunities stimulated by regional development funds, available with accession, will encourage them to stay in the rural areas.

Zolotas suggests that although the gains and losses for a sending country change with environmental conditions, there are certain general characteristics which remain applicable.

TABLE 3-7

EFFECT OF EMIGRATION ON SENDING COUNTRIES

Gains	Losses
1) Remittances	1) Lost production
2) Decline in consumption	2) Decline in investment
3) Training	3) Outflow of human capital
4) Equilibrium factor pricing	4) Danger of forced massive repatriation
5) "Balanced growth"	5) Demographic consequences

Source: Zolotas, International Monetary Issues, p. 447.

Without elaborating on these, it appears that with Greece's current situation and impending EC accession, losses will overshadow gains, excepting remittances. Thus the reduction in emigration predicted by full Community membership should benefit Greece.

TABLE 3-8

GREEK EMIGRATION

1959[a]	1965[a]	1970[b]	1974[c]	1975[c]	1976[c]
23700	117000	68000	19750	15989	15126
				Repatriations[c]	
			18434	27137	26226

Sources: a) Herrick, Area Handbook for Greece
b) Economist, Jan 31, 1976, p. 55
c) Greece: A Monthly Record, Mar 1977, p. 2.

TABLE 3-9

GREEK WORK FORCE
(percent of total)

	1971	1975	1987*
Primary (Agriculture)	40	38	20
Secondary (Industry)	25	26	33
Tertiary (Services)	35	36	47

* projected

Source: Overseas Business Reports #76-17, p. 20.

TABLE 3-10

GREEK WAGE INCREASES
(Drachmae)

	Average Daily Wages[a]			Minimum Daily Wages		
	1973	1976	Percent Increase	1973[b]	1977[a]	Percent Increase
Men	187	326	74	165	294	78
Women	128	237	85	144	285	97

note: Inflationary increases totaled 54.3 percent from 1973-1976. (See Appendix Table A-5)

Sources: a) Greece Economic Activity and Development, p. 12.
b) Greece: Business in Greece, p. 19.

RELATIONS WITH ARAB COUNTRIES

As with so many European nations when the energy questions arose in 1973, Greece's attention turned toward her Arab neighbors. The relationship began with oil shipments to Greece, then highly dependent upon that resource to fuel the rapidly expanding economy. However, as Arab buying power increased and significant markets opened in the Arab lands, Greek officials realized the great potential for reciprocal trade agreements.

In the 1960's Greece oriented its trade almost exclusively toward Western Europe and the Americas. West Germany headed the list of trading partners followed by the United Kingdom, the United States, Italy, France and finally Japan by the end of the decade. However, by 1975, the pattern changed. Libya became Greece's fourth largest trading partner with

TABLE 3-11

WORKERS FROM GREECE IN EEC COUNTRIES
VARIOUS ESTIMATES

Source	Germany	Belgium	Denmark	France	Ireland	Italy	Luxembourg	Netherlands	UK	Total
a)	203629	6000	451	5000	6	768	-	828	50000	266000
b)	215000								50000	290000
c)	173100	6450		9105				2050		210650
d)	223000	6000		5000				2000		249000

Sources: a) European Report #327, May 22, 1976, p. 13.
b) Economist, Jan 31, 1976.
c) Letter to Author - Hellenic Red Cross, Oct 77.
d) OECD Observer, Jul-Aug 1975.

Saudi Arabis second after West Germany. In 1964, all the Arab nations accounted for only 5 percent of Greek exports, but by 1975 they absorbed almost 17 percent.[30]

Greek officials realized the need to offset the terrific balance of payments deficit created by the value of oil imports and made concerted efforts to counter the flow. This forced a shift in trading areas and provided several collateral benefits for Greece. Arab oil revenues more than quadrupled by the end of 1973 and supplied these nations with considerable wealth and corresponding financial capability. They quickly realized the temporary nature of the source of their income and began reducing dependence on petroleum exports by developing other industries. This new emphasis allowed nations with foreign exchange as well as to exploit a broad spectrum of business opportunities.

Immediate Arab needs surfaced for housing, schools, hospitals, roads, sewage and water systems, recreational and tourist facilities, new harbors and airports. Greek engineering and industrial firms, experienced in meeting these developing needs in their own expanding economy, established strong footholds with large engineering and construction contracts. These totaled over $4 billion and involved more than thirty Greek companies in early 1978.[31] The Arab desire to develop a major merchant marine fleet also provided opportunities for Greece in ship building, marine managerial and technical planning and crew training (in this case through attendance at Greek Merchant Navy academies).[32]

In the financial sector, Greece provided two major attractions for the growing surplus of Arab funds. To encourage economic expansion, Greek banks pay large returns on monies deposited for development purposes. Investment packages are usually offered on shorter terms than in other Western nations, and new secrecy laws allow the use of numbered accounts which provide the anonymity Middle Eastern investors desire.

Politically, Greece has traditionally supported the Arab position on international issues including the Arab/Israeli dispute. In February 1977, Mr. Karamanlis reiterated that Greece advocates a speedy and equitable settlement of the Middle East issue based on:

> The evacuation of the Arab territories occupied after 1967, the reinstatement of the rights of the Palestinians and the guarantee of the frontiers and safeguarding of the right of all peoples of the region to live in peace and safety.[33]

During the same speech, presented at a dinner given by the Ambassadors to Greece from Egypt, Syria, Kuwait, Libya, Iraq, Jordan, Saudi Arabia and Lebanon, Mr. Karamanlis stressed that Greece had had a pro-Arab foreign policy for twenty years and would continue to maintain it. He pointed out that commercial exchange with the ambassadors' countries tripled in the last three years (from $116 to $440 million) in a "spectacular" renewal of friendly relations. He expressed the wish that the cooperation would continue to broaden in all sectors.[34]

Recent developments indicate ties are strengthening. A 1977 trade protocol signed with Egypt on November 8, 1976 establishes a $35 million export market for Greek goods including pharmaceuticals, wines, olives and other produce. Greek

purchases from Egypt are comprised of cotton, rice, other agricultural goods and 400,000 tons of crude oil.[35] Professor Angelos Angelopoulos, Governor of the National Bank of Greece, returned from Cairo in February 1977 after talks with Prime Minister Mamdouh Salem announcing an agreement to establish a branch of the National Bank of Greece in Cairo.[36]

In May 1976, Mr. D. Bitsios, then Greek Foreign Minister, met with his Jordanian counterpart, Mr. Hassan Ibrahim, in Athens and signed a framework agreement dealing with economic, commercial, scientific and cultural cooperation. Mr. Bitsios' follow-up trip to Amman in February 1977 resulted in the signing of a new trade agreement and the reaffirmation of Greek support for Arab stands in Palestine.[37]

During the same trip, Mr. Bitsios visited Damascus, conferred with Syrian President Assad and concluded agreements on cultural relations and telecommunications including plans for a cable link between the two countries. The Syrian government encouraged Mr. Karamanlis to visit Damascus at his earliest convenience to conduct talks and further strengthen Greek/Syrian ties. On July 25, 1977 ferryboats carrying transport trucks began traveling a route from the Greek port of Volos to Latakia, Syria once every four days. At the same time, a Syrian delegation met in Volos to finalize the implementing of another agreement already signed, to utilize the same procedures for moving railroad cars between the two countries.[38]

Professor I. Georgakis, Greece's roving Ambassador to the Arab countries, concluded a basic cooperation agreement with Libya in May of 1976, which paved the way for the establishment of a Greek/Arab bank later in 1977. Arab interests will control 60 percent of the new bank's shares (20 percent each for Libya, Kuwait and Bahrein) while the Greek National Bank will hold the remaining 40 percent. The Greek press stated in February 1977 that the bank will provide general banking services and investment initiatives in all Arab countries.[39] These will include use of funds for large state and private industrial projects in the Middle East and North Africa and research efforts to help attract Arab money into Greece. Greece also concluded an economic and technical agreement with Iraq in June 1976 which provided for the formation of joint enterprises, a framework for future trade and tourist cooperation, consultation on Iraqi housing and road construction and a supply of oil to Greece on a special basis.[40] Agreements were signed to expand commercial exchange with Kuwait in March 1977 and with Iran in May 1977 to advance relations in such areas as trade, industry, merchant marine and tourism while providing the opportunity for Greece to purchase $1 billion of Iranian crude oil.[41]

Effect of Accession

Mr. Zolotas, in his analysis of the Greek/EEC question suggests that upon accession, Greece will act as the bridge between the European community and the countries of the Middle East and North Africa. Since Greece already has

working agreements with most of these nations, projecting the interests of the EC countries into them should follow naturally. Thus Greece stands to become the gateway for European Community ventures into the Arab world, providing guidance along routes well traveled by Hellenic industry, commerce and politics. To this end, Mr. Karamanlis implemented plans in January 1977 to open a transportation Europort in Thessalonike which "will become an international center for transit trade and ... the southeastern gate linking the EEC with the vital commercial centers of the Middle East and North Africa."[42] With Greece as a full member of the Community these predictions should prove accurate.

In the other direction, investment funds from the Arab countries will funnel into Greece through established channels, such as the joint Arab/Greek bank, and then disburse among EC nations using conventional Community financial exchanges. This direct link will take full advantage of the total spectrum of European investment opportunities for Arab money.

The sound infrastructure that has developed between the Arab countries and Greece can provide a vital link between the industrialized giants of the West and the wealthy emerging countries of the Middle East and North Africa once Greece has become a full partner in the European Community. This position can only benefit Greece as the middle man and coordinator for these extensively lucrative operations.

TABLE 3-12

GREEK TRADE WITH ARAB COUNTRIES
($ million)

Country	Year 1970 Value	1975 Value	Percent of total[b]	Percent Increase 1970 to 1975
Libya				
exports	6.6	140.8	5.7	2033
imports	4.3	19.7	0.3	358
Syria				
exports	1.4	37.6	1.5	2585
imports	15.2	182.2	3.2	1098
Lebanon				
exports	7.1	35.9	1.5	405
imports	2.9	63.5	1.1	2089
Egypt				
exports	6.7	33.9	1.4	405
imports	1.8	6.4	0.1	255
Saudi Arabia				
exports	2.0	30.6	1.2	1430
imports	7.2	478.3	8.3	6543
Iraq				
exports	2.3	20.6	0.8	795
imports	39.3	55.9	1.0	42
Kuwait				
exports	0.8	13.7	0.6	1612
imports	0.02	0.03	-	66
Jordan				
exports	1.0	7.7	-	670
imports	0.0	0.14	-	-

Note: Imports are to Greece, exports from Greece.

Sources: a) Greece Economic Activity and Development, p. 11.
b) Statistical Yearbook of Greece, p. 296-7.

TOURISM

Foreign exchange receipts from tourism in Greece for many years have offset a significant portion of the balance of payments deficit. More than that, Greeks have always taken naturally to the tourist trade. They are proud of their heritage and make an effort to present it in ways which are truly Greek. As early as the 1950's Mr. Karamanlis established firm long-range plans for development of this sector and managed to lay a strong foundation before the political turmoil of the late 1960's began.

The leaders of the military Junta, although continuing to produce substantial growth in tourist traffic, modified the perspective on its cultivation. Mr. George Daskalakis, 1975 President of the Greek National Tourist Organization (NTO) stated the military leaders were "trying to treat this sector as an industry, overlooking the personal aspects — that of offering services to human beings."[43]

The military leaders did conduct extensive research which led them to develop the most advantageous areas, i.e., Crete, Corfu, Rhodes, Argolis in the Peloponnesus and the Chalcidice peninsula south-east of Thessalonike. However, they were so anxious to exploit the perceived commercial value of the areas that they provided unrealistically large, low-interest loans to virtually any company that offered to construct hotels or tourist centers. Many profit hungry businessmen could not resist the lure and hired fly-by-night

firms which constructed inferior facilities at poor locations. Most of these endeavors ultimately ended in non-completions or bankruptcies.[44] Officials also neglected to arrange for concurrent infrastructure development projects such as airports, water systems, sewage systems and traffic controls which limited the use of the new accommodations.

With the return of democracy in 1974, the new leaders faced the mistrust of the Greek population over the merits of tourism and the credibility of public officials and businessmen. Potential visitors, equally wary after the political upheavals in July, also needed to have their confidence restored.

The newly organized NTO approached the 1975 season by freezing hotel and recreation prices at 1974 levels and by coining the slogan: "Spend a holiday in Greece this year on last year's budget." NTO staffers offered further incentives by waiving landing fees for private aircraft, issuing gas coupons allowing the purchase of petroleum products at one-third the market value and contracting for distinguished programs of music and theater including Rudolf Nureyev and the Royal Ballet, the Royal Philharmonic Orchestra, the Prague National Opera and the Orchestre de Paris. They also encouraged Greeks supplying tourist services to remember the disastrous 1974 season (tourist arrivals dropped one million and the sector sustained a 14 percent loss in revenue) and to be appreciative in their reception of 1975 guests.[45]

The Greeks required little prompting, and 1975 ended with substantial gains, although overall performance remained well below the 1973 record level.

One deficiency continued to plague NTO officials throughout 1975: the inadequate training of workers in tourist services. The Junta had recruited young people from the villages, skilled only in goat herding or olive picking, and sent them to the major urban centers for crash courses in cooking and table waiting. The results were rough at best, and many guests left Greek hotels frustrated by the inefficiency and ineptitude of the staff. The new NTO increased the number and duration of specialty training programs within Greece and currently sends thousands of young Greeks to hotel training institutions in Europe and America.[46]

After recovery and reestablishment of the sector during the 1975 season, the NTO paused and attempted to establish long-range goals. Steadily increasing world prices in 1976 forced officials to allow Greek tourist charges to rise from the artificially held 1974 levels. Most hotel operators claimed that their real costs increased 45 percent over the two-season period. In January 1976, the NTO authorized an 18 to 22 percent increase in hotel rates. This raised the price of accommodations in Athens to London levels. The new rates ranged from $20 to $40 per night for a single room including breakfast.[47] Even with this hike in accommodation rates, the US Department of State Cost of Living Indexes, released in April 1976, showed Athens still undercutting most other major European cities.

TABLE 3-13

COST OF LIVING INDEX
(Wasington DC = 100)

	Index	Rank
Athens	115	(10)
Paris	170	(1)
Frankfurt	165	(2)
Rome	123	(7)
Brussels	132	(6)
Copenhagen	148	(3)
Luxembourg	134	(5)
Madrid	116	(9)
London	119	(8)
Belfast	114	(11)
The Hague	137	(4)

Source: Foreign Assistance and Related Programs - Appropriations FY 1977, p. 1102.

The NTO of course realized that most tourists travel lengthy distances to visit Greece which adds to total per person costs and requires low in-country expenses for the total package to remain competitive.

Mr. T. Tzannetakis, the Secretary General of NTO in July 1977, outlined long-range goals and stressed the major objective for Greek tourism to be: "Cautious development in order to safeguard the precious masterpieces that exist in (Greece)." He stated:

> We chose to plan for a kind of tourism that would insure a steady long-term growth, and not the one that promises direct, but short-term profits. Tourism must become beneficial to Greece; to

help develop our country, to make accessible the places of interest of our country not just to foreigners, but to our own people as well, to establish a cosmopolitan environment combined with folk traditions, to safeguard the evidence of our ancient glory and civilization ... Tourism necessarily demands and draws a lot out of the environment. Should we not slow it down then? Should we not try to limit, to the least extent possible, the things that it takes? For our country we must secure a future for its past."[48]

The Junta projected an eventual yearly goal of twelve million tourists and $4 billion in income.[49] The new regime, applying the philosophy expressed by Mr. Tzannetakis, set an absolute ceiling of 6.5 million annual visitors by 1980, and the stabilization of that number through control of accommodations and facilities.[50] Six and one-half million visitors in itself remains a terrifically large number of guests to serve in a year's time (with the current population, a 1.4/1 resident-to-visitor ratio), but the NTO hopes to meet the requirement by spreading the tourist season over a longer period, perhaps the entire year.

This reorientation required development of winter sports. Greece has at least four mountains (the highest nearly 10,000 feet) which are snow covered during the colder months. A ski resort on Mt. Parnassus (8060 feet) about twenty-one miles from Athens, opened for the 1977-78 winter season. Accomodations included two hotels, a casino, restaurants and

ski-lifts.[51] The NTO's 1978-79 plans include the establishment of a large tourist center at Mt. Ziria in the northern Peloponnesus. It will be another major ski center but will also have the expansion potential for year-round tourism since it is close to the sea.[52] Also for the first time this season, twenty-five German tourist agencies have included Greek villages and cities in their winter schedules.[53]

Year-round tourist trade requires appealing to the "jet-set" and the more wealthy travelers looking for new and unique experiences. The NTO has encouraged this type of development with some success. The international PLM company which controls casinos, railroads, restaurants, travel agencies and hotels around the world, opened a luxurious resort complex in Hermione on the Peloponnesus during the 1976 season. Baron de Rothschild, the French head of the consortium, marked the opening of Porto Heli with three days of personal promotion aimed at attracting higher income Western European clientele.[54] Also in 1976, Mr. J.C. Carras, a major Greek shipping personality, opened Porto Carras, an exclusive and complete resort town, on the Chalcidice peninsula. This 4,500 acre conglomeration of hotels, villas, restaurants, shops, swimming pools, golf courses, bathing beaches and yachting marinas has 3335 beds, six miles of coast, presents all forms of entertainment, is dotted with vineyards, olive groves, and cattle farms, produces excellent wines and is reputed to be the largest complex of its kind in the world.[55]

The NTO also focused its efforts on expanding existing facilities and capabilities which included the restoration and preservation of prominent landmarks (towers, windmills and old homes) to help retain the true spirit of Greece in the tourist areas. The 1978 improvement plans include fifty campsites, two marinas and three golf courses, while several private firms have already begun upgrading inter-island cruise service. A one day trip from Piraeus to three Aegean islands now costs only $24 and includes lunch, while the Epirotiki fleet's three day cruise to the very popular Mykonos, Rhodes, Santarini and Crete islands is only $205.[56] The Ceres Company even introduced Russian-built hydrofoils which can carry 116 passengers and travel at thirty-two knots making it possible to visit several widely separated islands in one day.[57]

Since early 1976, NTO officials have meticulously pursued a major expansion project: the return of the summer Olympic games to Greece. Mr. Karamanlis recently addressed a letter to Lord Killanin, President of the International Olympic Committee, proposing that Greece become the permanent site (perhaps at Olympia or Delphi) for future games, and that the Olympiads be financed from a permanent contributory international fund. Several well known sports personalities voiced the same opinion in the international press and Mr. Andrew Paulen, the Dutch President of the International Athletes Federation, summed up these views:

> It is a matter of necessity that the Olympic Games should be held permanently in the same place. This is because of the enormous expenditures needed for the necessary installations, most of which remain unutilized afterwards. The permanent site for the Olympics ought to be Greece, where the games were born and the Olympic spirit was nourished.[58]

Greek officials will need to resolve a myriad of details, and coordinate a lengthy transition period for site preparation, but international opinion seems to favor the permanent location solution and Greece is a likely choice.

Effect of Accession

The overall importance of tourism to the Greek economy is critical. In 1976, tourism accounted for 27 percent of the invisible foreign exchange earnings which in turn covered 67 percent of the year's trade deficit.[59] Visitors from the EC countries contributed a major portion of that income. Of the seven largest groups visiting Greece in 1976, four came from the Community (Germans, Britons, French and Italians) sending a total of 1.4 million tourists.

With Greece's accession to full membership, the physical contacts with the Community will increase, exposing a greater number of EC residents to the tourist opportunities available in Greece. The required standardization of rules, regulations and procedures will remove many of the unknown characteristics of the Greek environment and the concrete bond of Greece with the EC will suggest an aura of political stability which will reduce the fears of prospective

travelers. The harmonization of Greek methods with European standards of hotel classification, recreation schedules and travel patterns will also present a more understandable picture for North and South American travelers accustomed to Western Europe's procedures.

In the NTO's quest for returning the Olympics to Greece, alliance with the EC nations should increase those in sympathy with the cause and enlarge the pool of influence available to Greek officials. The initial steps to establish the permanent international support fund should also be more easily taken through EC channels.

On the other hand, certain costs will accrue to the tourist sector once Greece acceeds to the Community. Rates for accommodations and services, currently some of the lowest in Europe, will rise to parity with other Community states as demands begin to exceed supply. The goals preventing the conversion of tourism to a commercial industry and of "attracting the foreign tourist who respects (Greece's) natural and cultural heritage" will have to be jealously guarded. Already the monks at the sacred Mt. Athos orthodox monastery have placed restrictions on tourist admissions because of overwhelming numbers and the irreverence shown by some visitors.

TABLE 3-14

FOREIGN EXCHANGE RECEIPTS
($ million)

	1972	%	1973	%	1974	%	1975	%	1976	%	1977[b]	1978[*b]
Tourism	393	24	515	23	448	18	644	23	824	27	932	1000
Shipping	436	27	600	27	867	36	845	30	914	30		
Migrant remittances	575	35	735	33	674	28	783	28	803	26		
Other	210	14	353	17	410	18	454	19	483	17		
Total	1614		2203		2399		2726		3024			

* Projection

Sources: a) OECD Survey Greece 1977, p. 17.
b) Mellas, Christian Science Monitor, Mar 13, 1978, p. 82.

TABLE 3-15

TOURISTS FROM EUROPEAN COMMUNITY COUNTRIES (thousands)

	1972	1973	1974	1975	1976[b]	1977
Belg-Lux	28.9	30.6	26.8	38.4		
France	158.7	177.2	128.2	223.7	303.4	
Germany	247.8	321.3	234.3	397.4	508.5	
Denmark	55.1	67.5	36.5	50.1		
UK	310.0	335.8	244.6	319.5	423.0	
Ireland	8.9	11.1	6.2	6.8		
Italy	115.2	125.2	64.3	137.8	136.0	
Netherlands	56.4	66.9	40.2	59.3		
Total EEC	981.0	1135.6	781.1	1233.0		
US	548.1	615.6	371.8	458.5	464.0	
Total Tour.	2731.5	3177.6	2188.3	3172.9	4243.5[c]	4345[d]

Sources: a) Statistical Yearbook of Greece, p. 375.
b) Greece: A Monthly Record Jan 77, p. 2.
c) Greece: A Monthly Record Feb 77, p. 6.
d) Mellas, Christian Science Monitor, Mar 13, 1978, p. 82.

TABLE 3-16

INCREASES IN TOTAL TOURISTS AND FOREIGN EXCHANGE
(percent over previous year)

	1973	1974	1975	1976	1977
Total Tourists	16	- 32	44	33	10
Foreign Exchange receipts (tourism)	31	- 14	43	27	27

Source: Tables 3-14 and 3-15.

REGIONALISM

Greece has faced acutely unbalanced regional problems since the beginning of industrialization in Europe. The problem surfaced as workers began to perceive distinct location differences in the advantages of Greek life. These perceptions spawned internal migration to urban centers such as Athens – Piraeus and Thessalonike and to more fertile plains areas located in Macedonia, Thessaly and southern Epirus.

Most of the outflow came from the poorer, overpopulated island environments and the Peloponnesus area.[60] Those who moved sought better employment conditions and higher wages, access to better food and clothing, improved educational facilities, more health and social welfare services, better quality housing and in general a new way of life.

Pavlopoulos, in his 1975 review of Greek manufacturing wage level differences, suggests that pay often determines labor mobility and that wage differences in different regions,

even for similar jobs, are a function of cost of living differences, the number of employers controlling the labor force and disparities in the natural labor market (size, number, skill, diversity, etc.).[61] Greek workers gravitated toward areas of more lucrative employment and to regions which provided opportunity for advancement and growth.

Most Greeks have strong ties with the traditions and customs of their villages, but they feel greater urgency to provide substantial opportunities for their children. The advantages of a more prosperous area, often the urban complex, appealed to this instinct and caused many Greeks to leave the places of their birth.[62]

The migration syndrome soon became self-perpetuating. The less developed areas continued to lose manpower, skills, talent, youth and financial resources while the expanding major centers gathered these assets and increased their appeal and offerings. As a result, greater and greater regional disparities occurred in per capita income, standard of living, industrialization and services provided. For many years, the government did little to control this widening gap until, by the mid 1960's, officials could no longer ignore the visible repercussions of the migration.

The 1968 to 1972 Economic Development Plan outlined by the military Junta heavily stressed regional development aims.[63] It decreed that each region develop according to its unique advantages and then sustain its own growth; that individual regional centers provide all required social

services and facilities; and that officials take measures to resolve disparities between regions, particularly incomes and standards of living and between Athens and the rest of the country.

The plan established seven Regional Development Services (RDS) under the Ministry of Coordination which charged them to adopt government development policies to the specific needs of the regions, thereby decentralizing the administrative machinery and promoting use of resources within each area. Primarily because of bureaucratic inertia, this aspect of the design attained marginal success, being limited mostly to agricultural reorganization.

In 1973, the government estimated that by 1987, the Greek urban population would reach two million people and that employment in agriculture would decrease by 600,000. Since the RDS plan had not succeeded, the Junta placed its new regional emphasis on developing urban-industrial "poles" or centers capable of absorbing surplus workers from the agricultural areas, thereby reducing disparities and halting emigration from those with potential. Officials forecasted that under this project, by the year 2000, the Athens/Thessalonike axis would have 6.5 million people; Volos/Larissa 300,000; Heraklion/Conea (Crete) 220,000; Ioannina and Kavalla in Thrace with their poles 60,000 to 100,000 each; and Kalamai in the Peloponnesus with its pole also 60,000 to 100,000.[64]

Through the Hellenic Industrial Bank (ETBA), the government provided generous incentives, including exemption from taxes, easy credit and government management assistance, to accelerate the decentralization plan. The Ministry of Coordination also appropriated large parcels of land on which to establish the industrial complexes. In Thessalonike alone, officials proposed to expand the central area from 315 to 980 hectares (778 to 2,420 acres).[65]

Change came slowly, however, and by 1974 the now drastically lopsided regional condition reached a critical level. Vatikiotis in his 1974 essay on Greece asserts:

> The concentration of political, administrative, commercial, and industrial activity in (Athens) promotes overcentralization and paralyzes the rest of the country.[66]

He bases this assertion on some staggering statistics. The Athens/Piraeus complex encompasses:

> 35 percent of the nation's civil servants
> 85 percent of its physicians
> 70 percent of its students of higher education
> 50 percent of its industry
> 39 percent of its electric energy consumption

The European Community Commissioners in thier January 1976 opinion on Greek accession state:

> Industrial growth has tended to concentrate geographically, the bulk of investments centering on the Athens/Piraeus conurbation to the detriment of most of the islands and the peripheral mainland areas, thus aggravating the regional problems faced by Greece.[67]

The Karamanlis administration addressed the regional disparity problem shortly after it consolidated its power,

but parliament did not enact a regional development law (No. 289) until 1976. As outlined previously, this statute provided generous stimuli for industrial business concerns to locate in relatively remote areas and not select sites in urban complexes. Investors responded favorably to the incentives, and by the end of 1976 the Ministry of Coordination received applications under the new law for projects totaling $115 million.[68] Also in 1976, the Athens regime established the National Council for Physical and Environmental Planning, whose thirteen ministers assumed the responsibility to develop a new system of land planning aimed at balancing the concentration of industry around the country.[69]

Progress remains slow in solving this basic structural dilemma, however. As rapidly as the government locates new industry away from the major hubs, the older firms entrenched in these areas expand or diversify and attract more workers and resources. The Athens government, partially at least, will have to resolve this perplexing matter before they can expect significant alterations in the economic structure of the country.

Effect of Accession

Greece's regional problems specifically qualify the country for the use of EEC aid funds which will directly help to relieve the internal migration and industrial centralization dilemma.[70] The social fund will provide money to retrain and resettle Greece's rural poor while the guidance section of the EACCF will help to modernize Greek

farming techniques and raise living standards in the agricultural regions. Special aid is available from this section of the fund to help the farmers on the land in particularly poor areas, thus protecting the countryside from abandonment and misuse. This consideration has become a chief concern of the Athens government as pollution and the effects of tourism come to bear.

Programs developed around the assistance from these two funds will attack the major regional problem: internal migration. The EC Regional Development Fund will devote resources from the more prosperous members of the Community to modify and support the decentralization plans of the Karamanlis government.

The major concern of EC member countries is the cost of accession through these funds. Although not debilitating (hypothetically only 5 percent of the 1976 EC budget), a measurable cost will accrue to the Nine and could continue for several years if Greece responds slowly to fund guidance.

Greek planners are concerned about the overall negative effects of diversifying the industrial infrastructure from two major centers to eight or more. Concentrations of factories and production plants will scar the countryside and the environment, two of Greece's most valuable resources. Government officials must also cope with management control problems which come from spreading out. The Greek ministries directly run many of the commercial enterprises in their areas, and diversifying these will only increase the burden

on an overtaxed and inefficient bureaucracy. How far the industrialization should be carried and the extent of diversity are critical questions over which government officials feel they must retain control. Use of Community money will require progress and carry restrictions that may not be totally palatable.

TABLE 3-17

REGIONAL POPULATIONS
(1971 census)

	Urban (percent)	Semi-Urban (percent)	Rural (percent)	Inhabitants per Sq Km
Greece Total	53.2	11.7	35.1	66.4
Greater Athens	100.0	0	0	5935.1
Rest of Central Greece	27.0	27.2	45.8	40.5
Peloponnesus	29.8	12.4	57.8	46.0
Ionian Isls.	17.0	17.4	65.6	79.9
Epirus	23.7	8.2	68.1	33.7
Thessally	35.8	15.8	48.4	47.4
Macedonia	46.0	15.0	39.0	55.3
of which Thessalonike	78.5	8.9	12.6	199.5
Thrace	29.4	12.7	57.9	38.4
Aegean Isls.	24.8	21.9	53.3	45.8
Crete	33.5	10.7	55.8	54.8

Source: Statistical Yearbook of Greece, p. 20.

TABLE 3-18

TEN LARGEST GREEK CITIES
(1971 census)

	Population (Thousdans)	Percent Increase 1961-1971
Greater Athens	2540	37.1
Thessalonike	557	46.4
Patras	120	16.2
Volos	89	8.7
Iraklion (Crete)	85	21.0
Larissa	72	not avail
Canea (Crete)	53	4.4
Kavalla	46	not avail
Agrinion	42	25.6
Kalamata	40	-2.3

Source: Statistical Yearbook of Greece, p. 24, 25.

TABLE 3-19

LIVE BIRTHS
(per 1000 inhabitants)

Greece			1975
1921	21		
1931	30	Greece	15.6
1949	18	Belgium	12.2
1959	19	Germany	9.7
1969	17	US	14.8
		UK	12.4
		Italy	14.8
		Netherlands	13.0
		Spain	18.2

Source: Statistical Yearbook of Greece, p. 37, 458.

TABLE 3-20

POPULATION CONCENTRATION

	Percent of population	Percent of area
Normal (Lorenz Curve)	40	40
Italy	40	22
Greece	40	16
Ireland	40	14

Source: Opinion on Greek Application for Membership, p. 27.

TABLE 3-21

PER CAPITA GDP BY REGION
($ US)

Greece Total	1011
Attica and Aegean Islands including Athens	1482
Central & Western Macedonia including Salonika	1124
Peloponnesus and Western Mainland	726
Thessaly	775
Crete	706
Epirus	626
Eastern Macedonia and Thrace	701

Source: Opinion on Greek Application for Membership, p. 30.

INDUSTRY

To develop as a modern European nation, Greece naturally focused its expansion efforts on the industrial sector.

Growth occurred very slowly, however, because of internal resistance to change and the thoroughly entrenched and antiquated industrial infrastructure. Most Greek entrepreneurs lacked both the managerial skill and the ambitious, modernizing drive necessary to take the risks and bear the uncertainties required for real structural modifications. They avoided industrial investments in favor of more traditional and secure importing and real estate endeavors.[71] Those that did become involved, gravitated toward the lighter, more predictable, consumer-goods fields, primarily food, beverages, tobacco and textiles. These branches are still the largest, but they currently comprise somewhat less of the total manufacturing production than ten years ago. This trend indicates that the structural problems remain but that redirection efforts are slowly developing intermediate and capital goods industries.

Government effort in the past to expand the heavier branches of industry utilized protectionist devices including tariffs, import licensing, import payment controls and quotas. The weaker industries became dependent upon these supports and found it unnecessary to create efficient competitive companies. Monopolies flourished. The progressive schedules of tariff reductions included in the EC Association Agreement have helped to eliminate some of these problems but have not created an independent industrial sector.

In May 1974, Mr. John M. Mitsos, at that time the President of the Federation of Greek Industries, predicted that

the most dynamic branches of industry with good future opportunity would be processed farm products, textiles, wood products, heavy chemicals, basic metals, petroleum refining, non-metallic mineral products (cement, tiles, clay), fabricated transport equipment (trucks, autos, buses), engineering equipment, and telecommunications equipment.[72] His forecast discriminated little between light, heavy and intermediate branches of industry, but production statistics at the end of 1976 showed once again that light industry and consumer goods outpaced capital goods nearly three to one.

TABLE 3-22

INDUSTRIAL PRODUCTION INDEX INCREASE
(1970 = 100)

	1973	1976	Percent Increase
Textiles	147	200	36
Non-metallic minerals	137	168	22
Chemicals	148	177	19
Tobacco	117	141	20
Food	114	130	14
Basic Metals	161	169	4
Consumer Goods	139	168	20
Capital Goods	150	161	7

Source: OECD Economic Survey Greece, 1977, P. 45.

TABLE 3-23

INDUSTRIAL PRODUCTION AVERAGE
ANNUAL PERCENT INCREASE
(1973-1976)

Textiles, clothing, footwear	12
Chemicals	6.2
Food, beverages, tobacco	4.8
Heavy industry (base metals, metal products machinery, transportation)	2.8

Source: OECD Economic Survey Greece 1977, p. 6.

Despite these symptoms, the total industrial production index increases 10.6 percent in 1976 compared to 4.4 percent in 1975 and -1.6 percent in 1974.[73] This overall success encouraged government officials to pursue their development plans but place more emphasis on boosting demand for industrial expansion goods. Such tactics required more active encouragement of foreign demand for the sluggish industrial products.

Mr. Karamanlis currently faces two financial problems spawned in the post-war period.[74] First, to establish the desired growth pattern, the manufacturing industries require considerable investment from the private sector. Since the early 1950's, however, Greek investors have placed nearly twice as much capital into housing construction as manufacturing. This tendency stems from Greek pride in home ownership and from a dwelling's acceptability as a suitable dowry. Real estate ownership also has provided an excellent hedge

against inflation in times of past political and economic instability. These traditional concepts are difficult to overcome and the government, even in this time of a stable democracy, faces a formidable task when trying to convince people to buy shares in a new automobile plant as opposed to making a down payment on a house. Mr. Zolotas underlined his concern in this area during a speech to the economic editors of the Athens press in February 1977. He stated that although the 1976 Greek increase in investments led all the OECD countries, it was primarily attributable to construction of homes and other expensive buildings. He further warned that "private initiatives should be motivated because unfortunately they do not show the initiative required by a free economy."[75]

Second, most manufacturing firms rely on borrowed money, rather than invested capital or retained profits to finance their operations and the loans are usually short-term at high interest. This increases cost and lowers efficiency. The Hellenic Industrial Development Bank (ETVA), a corporation formed in 1964 and wholly owned by the state, does help to finance new industrial enterprises (currently its emphasis is on new plants for asbestos, aluminum, silicone, ferrochrome and petrochemicals) and provides market information to investors to keep them appraised of the current environment.[76] Interest rates and loan terms offered by the EVTA are usually more attractive than those of other

commercial lending institutions. An EVTA subsidiary, Hellenic Exports S.A., began functioning in 1971 to help promote exports of industrial products and thus build up that sector through demand channels. It currently provides marketing, sales promotion, technical and research services to its clients, thus encouraging more stability and an environment where the heavy reliance on borrowed funds can begin to dissipate.[77] Mr. Karamanlis based his correctional plans for these and other industrial issues on Greece's need to prepare quickly for EEC accession.

The condition of several specific industries should be briefly mentioned. The Greek mineral, mining and processing corporations are becoming more stabilized. As previously cited, officials established the Institute for Mineral and Geological Research (IGME) in early 1976 to ascertain just what types of minerals exists throughout the country.[78] Of the minable metals, aluminum is by far the most important and since 1969 the industry continuously produced the largest amount of metal ore mined in the crude state in Greece.[79] By 1976, aluminum products accounted for 12 percent of all exported manufactures, exceeded only in the metals category by iron and steel products which depend on imported intermediate materials.[80] The industry began its real growth in 1966 when Pechiney Ugine Kuhlmann of France opened the Aluminum de Grèce industrial complex in Bostia province. Until 1977, the French company represented the largest single industrial investment in Greece ($300 million) and

it contributed its own processes and management staff to operate the alumina reduction plant and aluminum smelter. By 1970 the complex became the largest exporter of manufactured products from Greece.

The leading producer of bauxite in Greece is Bauxites Parnasse Mining Company which early in 1976 completed plans for a new alumina manufacturing plant near Parnasse on the Gulf of Corinth. Of the $200 million investment and $60 million equity capital, two US companies, the National Steel Corporation and the Southwire Corporation hold 49 percent interest. The ETVA and Paranasse will share the 51 percent controlling balance, split 21/30 respectively.[81] From the 580 million ton assessed Greek bauxite reserve, the new plant will have the capability to produce 600,000 tons of alumina annually and the opportunity to double production when adquate electric power becomes available.[82]. The complex is scheduled for completion in 1980, and officials already have discussed plans for expansion into full aluminum smelting.

The most rapidly expanding industry in Greece is textiles (1976 production up 16.8 percent) and its associated activities such as clothing, yarns and threads.[83] Clothing exports alone have increased over 300 percent in value since 1973, accounting for 66 percent of the miscellaneous manufactures leaving Greece in 1976. For the first time this product exceeded tobacco and became the largest single export item. Greece is rapidly becoming competitive with the EC in the

textile industry, partly because it is the only European country to grow its own cotton (over 360,000 tons in 1975).[84] Over 90 percent of the crop remains in the country, and various textile based manufacturing companies use it to produce exportable goods which earn considerable foreign exchange (over $289 million in 1975).[85] Mr. Konofagos, then Minister for Industry, announced in May 1977 the movement of textile branch industries to the border areas in support of the industrial development plan. He specifically cited the Samos Weaving and Textiles Company, a joint Greek/German enterprise, which when completed will manufacture 2,500 tons of yarn annually for export to West Germany, alone earning over $6 million at 1975 export prices.[86]

Recent developments in some of the smaller industries have been significant as well. Officials have recently attempted to attract successful foreign companies to the food processing field which is traditionally inefficient and of low standards. Nestle and Del Monte already run profitable branches in Greece, but the sector needs a real boost to bring it up to EC competition levels.[87] Food and live animals accounted for 22 percent of Greece's total exports in 1976. With improved efficiency they could provide considerably greater values at lower cost.

In 1974, Greece took first place in Europe in overseas cement exports with nearly 2.1 million tons.[88] Demand increased in the next two years stimulating new plants, attracting foreign investment and pushing 1976 production up

by 12.5 percent. Several plants are now capable of an output exeeding 500,000 to one million tons annually, and total Greek capacity is approaching thirteen million tons.

With the continuing probability of major oil finds in the Thasos island area off the coast of Macedonia, foreign interest in petrochemical manufacturing has significantly increased. In early 1977, government officials approved a $641 million investment (the largest ever) in a new manufacturing complex to be located near Kavalla, one of the key industrial decentralization sites and close to the Thasos area. If the Prinos fields yield as predicted, the new consortium will utilize large quantities of the oil as raw material for petrochemical products. Market value of the enterprises' goods should exceed $300 million annually and provide nearly $150 million in foreign exchange.[89]

With the advent of these very large industrial endeavors, the owners of Greece's smaller handicraft industrial units have become concerned. Mr. Papaligouras, then Minister of Coordination, assured them that they too would benefit from the industrial boom through expanded subcontracting work or as finishers of the big industry products. He pointed out that in several traditional fields, mass production facilities could never replace the handicraft enterprises.

Effect of Accession

With full membership in the EEC, Greek officials face confrontation once again with industrial infrastructure problems. As previously discussed, most Greek industry

remains small in scale and family owned. In 1977 less than 100 firms employed more than 200 people. Consequently, productivity (GDP per employee) remains low and inefficiency abounds.[90] Many firms are protected by government supports which the accession agreement will abolish, and policy officials will have to decide which sections of the industrial structure can survive on their own in the competitive EC environment. Pesmazoglu suggests that reorganization and modernization of the small and medium size firms may be less difficult than supposed and that many will readily adapt to modern management and marketing techniques.[91] He asserts that real market competition will provide a valuable pool of manpower, competitive drive and management initiative if officials execute practical reforms and help the hardier firms to make the transition while selecting other industrial areas to develop.

This approach means increasing emphasis on drawing foreign capital into Greece. With the formation of ELEVME in 1976, Mr. Karamanlis warned that upon Greece's accession to the EEC, private enterprise would find that survival depended on large-scale investment.[92] He also pointed out however, that with this investment would come advanced technology, a large volume of jobs and the opportunity for spillover of peripheral industries, plants and factories.

With the new competition and the restructuring needs will come the expanded markets that the EEC and its associates

can provide. Distinct possibilities of collaboration exist, particularly in manufacturing and trade and, as already discussed, Greece's geographical location will allow her to serve as a bridge between the markets of Europe, the Middle East and Africa, providing considerable expansion opportunities for the EC nations.

TABLE 3-24

INDUSTRIAL PRODUCTION CHANGES
1974 to 1975

	Percent Increases[a]	Reasons
Textiles	16.8	increase in knits, yarns, synthetics
Garments & shoes	5.9	increased exports by large plants
Food, Beverages, Tobacco	3.2	increases in sugar and olive oil
Non-metallic minerals	3.0	increases in cement, china, earthware
	Percent Reductions[a]	
Paper, publishing, printing	- 4.3	reduced paper production
Basic Metallurgy	- 2.0	lower international demand
Metal Objects, Machines	- 7.4	reduced production electric motors, appliances
Transport Vehicles	- 3.6	not shown
	Percent Change Overall Manufacturing[b]	
Durable Consumer goods	- 11.3	
Consumer goods	+ 8.3	
Capital goods	+ 1.4	
Total 1975 Industrial production	+ 10.6	

Sources: a) Greece Economic Activity and Development, p. 21.
b) Statistical Yearbook of Greece, p. 234.

TABLE 3-25

PRINCIPAL MANUFACTURED EXPORTS
($ million)

	1975[a]	1976[b]
Iron and Steel	154	165
Textiles (total)	145	not available
Clothing	133	198
Cement	97	not available
Machinery, Transportation, Equipment	90	126
Aluminum	83	103
Footwear	55	58
Leather products, leather	48	58

Sources: a) Statistical Yearbook of Greece, p. 309, 310.
b) OECD Survey Greece, p. 47.

TABLE 3-26

GREEK MANUFACTURING AS
PERCENT OF GDP

1970	18	1973	20
1971	19	1974	20
1972	19	1975	21

Source: OECD Survey Greece, p. 41.

AGRICULTURE

Throughout Greece's postwar economic growth period, the agricultural sector developed at the slowest rate and resisted change most tenaciously. Although three regimes vigorously attacked the problem, the structure of Greek

agriculture in 1978 remains similar to that of 1953. Government officials described the conditions in early 1977:

> Agriculture has not yielded results commensurate with its productivity potential because of its inadequate organization and outdated traditional structure, and its orientation in relation to the achievement of a high standard of self-sufficiency through the application of a strong protectionist policy.[93]

The same officials concluded that they needed to "rapidly reform" agricultural institutions and standards at both the production level (farm size and organization) and the trading level (distribution and sales techniques).

In the 1960's, Greece reached self-sufficiency in bread grains, fruits and vegetables, tobacco, cotton, olive oil and dried fruit, but a considerably increased demand and heavy importation of meat and dairy products coupled with small domestic production placed a large drain on foreign exchange. Ironically, Michael Wall had suggested a solution in July 1971 to these same problems:

> To save foreign exchange, Greece must concentrate on producing at home more of the foodstuffs it now has to import and to earn foreign exchange it must grow the crops for which there are ready export markets.[94]

His suggestion was not a revelation, but it depicted the heart of the matter: the need for structural reorganization.

Greek farmers have traditionally displayed major resistance to reorganizational efforts, refusing to produce

different crops, adopt more efficient dairying techniques or switch to breeding and rearing animals. This attitude keeps standards low and prevents consumer confidence from developing in the weaker products. The fragmentation of land holdings complicates the problem further, since most farm plot owners are unwilling to consolidate their small, separated holdings and in fact tend to sub-divide them further through dowries and inheritances.

Most farmers find it difficult to understand why officials want to make changes since the government historically has supported existing commodity production structures with heavy subsidies. In 1966, twenty different programs aided the means of production (fertilizer and farm machinery), twelve augmented minimum product prices, eleven increased export prices to minimum levels and ten reimbursed market costs for specific goods.[95] Agricultural officials in several cases attempted to use these supports as incentives for stimulating production of new, more desirable goods, but they did not apply consistent methods and generally tended to perpetuate the status quo. Until recently, the government even purchased vast amounts of surplus crops, particularly wheat and tobacco, which could not be sold by producers. The overages created significant storage problems and large government budget drains when the products later resold often for one-half the purchase price.

Since farmers still comprise 35 to 40 percent of the working and thus voting population, possible election outcomes

force government officials to consider the political ramifications of agricultural reform. Sudden removal of subsidies or changes in price support levels could alienate many voters. Since 1961, Greek farmers have enjoyed extensive financial protection by the National Crop and Social Insurance Agency (OGA).[96] At no cost to the farmers, coverage includes:

1) Old age pensions at 65,
2) Disability pensions for workers and their children,
3) Complete medical insurance coverage for the entire family,
4) Crop insurance against hail and frost,
5) Family cost of living allowances.

This generous plan, financed by direct and indirect taxes on the entire Greek population, helps significantly to offset lower agrarian incomes.

Although the government has directed most of its recent effort toward harmonizing Greek agricultural policies with the EEC's CAP, Greece's structural limitations have hindered real progress. In 1976, the Community placed Greece in third country status and applied countervailing charges on certain produce items because the goods arrived in EC countries at prices below reference levels. As a result, Greece destroyed 19,000 tons of peaches, reduced by 50 percent the output of tomatoes headed for the EC concentrate processing industries and curtailed orange and cucumber shipments for certain

periods, thus increasing spoilage losses.[97] The EC Commission's Agriculture Committee in an official opinion cited Greece's agricultural structure as the cause of the incident.

> In many respects Greek agriculture is comparable to that of southern Italy and of other Mediterranean countries, being characterized by the frgamentation of holdings and strong conditioning by geographical circumstances, by the high proportion of mountain areas, problems of erosion, irrigation, etc., by its output of Mediterranean products, by low mechanization and by a shortage of preserving and packing facilities. All these factors combine to prevent Greek agriculture from facing competition from Community agriculture.[98]

Since the other EC countries with Mediterranean climates produce many of the same goods, the problem will not be solved easily.

Over the years, Greek governments attempted many ways to reorganize the agricultural structure. The military Junta established increased productivity, improved farm income and accelerated changes in production patterns as main targets. They obtained some success by applying technological improvements to fertilizers, seeds and pesticides and by convincing farmers that they could use tractors effectively even on small plots.[99] They persuaded herders to switch from sheep and goats to cattle, and introduced artificial insemination methods to improve herd size and quality. The Colonels even attempted complex land expansion projects including clearage, drainage, irrigation, desalination

and flood protection. Weintraub contends that the military regime did meet some of their objectives and that:

> The considerable advances in the accelerated agricultural growth were carried by the sinews of the 'reformed' rural society ...[100]

He may have been partially accurate in his assessment of the Colonels accomplishments, but the "reformed rural society" retained its basic structural problems.

The Karamanlis government took over the fight by shifting resources and funds into more dynamic high-income commodities. The state-owned Agricultural Bank became the vehicle for these efforts and intensified its activities with increased handling of technical services to farmers, expanded distribution of fertilizer, seeds and breeding stock and closer supervision of agricultural cooperatives. The Bank is the sole source of credit for most farmers. In 1975, it processed over $1.5 million worth of long and short-term loans.[101]

In November 1976, after analyzing the sector, Mr. John Boutos, Minister of Agriculture, announced the main features of the 1977 Agricultural Plan.[102] The document cites new incentive policies to encourage increased production of hard wheat, feed grains, cotton and potatoes while opening new crop areas in horticulture, fruits and vegetables. The plan provides for more farm machine credit and extends terms on farm real estate investments through the Agricultural Bank. Suggestions for major long-range institutional changes include

land redistribution schemes to facilitate consolidation, projects to double the farm land under irrigation by 1982, methods to create direct local markets that will eliminate unproductive middlemen and plans for reorganizing the bureaucracy in the Ministry of Agriculture to improve administrative and research operations. The instrument proposes a public expenditure of over $25 million (a 20 percent increase over 1976) and allocates 40 percent for crop improvements and technical equipment. Nearly all of the remainder is earmarked for improving livestock farming with about $7 million set aside for development of fisheries.[103]

The government realized the crucial importance of the livestock question, and in the first months of 1977 began utilizing the proposed funding by implementing new cattle raising, breeding, feeding and slaughtering techniques while at the same time reducing subsidies to the sector. Mr. Boutos concurrently announced the application of steps to increase wholesale and retail prices for veal, pork and poultry and to improve domestic production of livestock feeds to substitute for imports. These measures initially will cost consumers and producers more, but in the long run they should benefit all by reducing government spending, encouraging efficient production, saving foreign exchange and redirecting consumption toward more economical protein sources.[104]

<u>Effect of Accession</u>

In February 1977, the EC Committee on External Economic Relations filed a report adapted from recommendations made

by the Joint Greek-EEC Parliamentary Committee during its 1975-76 sessions. The agricultural evaluation concluded:

> The committee noted with regret that as far as agriculture is concerned, the Association has failed to make any real progress, especially over the past few months.[105]

The fifteen Greek deputies sitting on the Joint Committee consequently confronted several problems.

1) Lower meat and dairy product prices from the northern EC countries will severely affect Greek producers of these goods.

2) Under Greek law farmers who own small plots of land are treated as employed workers and receive employee social security and free movement benefits. Community criteria do not consider them dependent workers and they will lose these advantages.[106]

3) Greece will have to honor lower Community tariff agreements with third countries, and since these are extensive, major competitive forces will impinge on the Greek agricultural market.

4) The French government has demanded revisions in the CAP to include minimum prices on Mediterranean goods traded among EEC members, minimum quality levels for fruit and vegetables bought by one member from another, a ban on wine mixing and more aid to Mediterranean farmers.[107] As a result Greek goods will have to bear higher prices and stiffer standards, and since most Greek wine is shipped

in bulk for mixing, Hellenic winemakers will have to completely restructure their industry if the Community approves the demands.

The deputies also considered some positive aspects of accession. 1) The application of the CAP to the Greek farmer means a higher real income, increased price stability and a more reliable market. 2) Money from the Community development funds will provide the means for a concentrated application of structural reform measures. 3) Full membership status will remove Greece from the "marginal supplier" role to the EEC and eliminate any possibility of sporadic application of countervailing charges or other protectionist measures.[108]

Greece's accession to the Community should have no appreciable effect on EC agricultural activities. Hellenic product distribution is about the same as that of the Community and with the exception of super-sensitive items, such as wine, peaches and tomato paste, Greece's input should be easily absorbed. As previously discussed, most EEC countries are concerned about the investments they will have to make through development funds to restructure the Hellenic agricultural system. The actual amounts involved will depend on how fast Greece progresses on her own before accession and how soon full membership status is ratified.

TABLE 3-27

AGRICULTURE'S POSITION IN GREECE

	1958	1973	1974	1975
Percent of GDP agricultural production	27.7	19.5	18.0[b]	17.0[d]
Percent work force employed in agriculture	54.0	35.7	34.0[c]	36.0[e]

Sources:
a) Greece: Special Report, _The Times_, p. V.
b) _Statistical Yearbook of Greece_, p. 445.
c) Zolotas, _Greece in the European Community_, p. 53.
d) _Greece Economic Activity and Development_, p. 19.
e) _Opinion On Greek Application for Membership_, p. 14.

TABLE 3-28

GREEK AGRICULTURAL PRODUCTION
(percentage 1972)

	Greece	Average EEC-Nine
Crops	66.8	60.5
Livestock	29.0	37.4
Self-sufficiency in Meat	80.0	100.0
Beef & Veal Consumption annual/per head/lbs		
1960	1531	6531
1973	5156	7156

Source: Greece: Special Report, _The Times_, p. V.

TABLE 3-29

AGRICULTURAL STRUCTURE GREECE AND THE EEC 1973

	Greece	EEC-Nine
Working Population in Agriculture	35.7	9.6
Agricultural Production percent GDP	16.1	5.0 (est)
Average Area Holding	8.5 ha.	17.4 ha.

ha = hectare = 2.47 acres

Source: Opinion on Greek Application for Membership, p. 41.

TABLE 3-30

GREEK AGRICULTURAL PRODUCTS EXPORTS AND IMPORTS

	1974	1975	1976[c]	1966[c]
Exports (percent of total)	31	32	31	62
Imports (percent of total)	11	9	7	13
Meat & Live animals[b] ($ million)	64.1	77.8	134.9	
(percent increase)		21	73	

Sources: a) Statistical Yearbook of Greece, p. 300.
b) OECD Survey Greece - 1977, p. 48.
c) OECD Survey Greece - 1977, p. 46, 47.

TABLE 3-31

DEGREE OF SELF SUFFICIENCY
GREECE AND EEC
(percent)

Product	Greece	EEC - 9
Crops (Average 1972-73)		
wheat	103.6	99.6
feed grains	67.3	57.1
sugar	71.1	94.4
tomatoes	148.5	82.8
citrus fruit	190.3	41.3
olive oil	105.1	79.2
wine	134.0	99.0
Livestock products (1972)		
beef and veal	67.2	87.1
poultry meat	96.8	102.7
whole milk	95.5	100.1
butter	87.5	99.6

Source: *Opinion on Greek Application for Membership*, p. 33.

FOREIGN TRADE

Greece bases its foreign trade policy on efforts to develop and maintain commercial ties with all countries; West and East, industrialized and third world. At the same time, officials must reduce the country's trade deficit and protect domestic production in the context of her international commitments. This means placing increased emphasis on the substitution of domestic products for imports, increasing the value added in Greek industry and expanding industrial exports.

Traditionally Greece has depended upon imports of machinery, industrial raw materials, transportation equipment, chemicals, petroleum and coal, lumber, a variety of manufactured goods, meat, fish and dairy products. In recent years, officials have successfully encouraged varying amounts of import substitution and the country now produces significant amounts of fertilizer, chemicals, petroleum products, textiles and light manufactured goods. However, Greek production efforts toward items that predominate as imports remain a top priority of the Karamanlis government and the most critical part of a solution to reduce the trade deficit.

As part of the adjustment plan, commerce officials continue to offer protection to Greek producers while implementing methods to accomplish item output shifts. All imports are classified by category and require either an import approval or the issuance of an import license:[109]

<u>Category I</u>: Commodities free of import restrictions — routinely issued approval.

<u>Category II</u>: List "A" commodities: Luxury and less essential articles and products adequately produced in Greece including fine metals, textiles, furs, jewelry, cosmetics, fire arms, automobiles and certain foodstuffs — Require special licenses issued by the Ministry of Commerce.

<u>Category III</u>: List "B" commodities: Types of machinery adequately produced in

Greece — Require special import licenses issued by the Ministry of Industry.

Category IV: Commodities which are state monopolized and can be imported only by government affiliated organizations: Petroleum products, wheat and flour, medicines, motion picture and TV film, ships, and some minerals — Require adherence to special import regulations.

Depending upon current conditions, the required approvals or licenses may be issued with no restrictions, or cite limited usage.

As a hedge against inflation, to discourage speculative imports and to cover payment and tariff and duty charges, all imports are included on pre-import cash deposit lists. These schedules currently require deposits of payments ranging from 70 to 100 percent of the c.i.f. invoice value (cost, insurance, freight all included).

The Ministry of Trade partially reduced these restrictions on January 1, 1976 by eliminating 200 percent deposit requirements on passenger cars, radio and TV receivers, wines, liquors and soft drinks.[110]

To combat certain detrimental trade practices by multinational corporations, the Greek parliament in July 1976 passed a new law specifying "equalizing and compensatory tariff" procedures. The measure, essentially an anti-dumping statute, provides protection for Greek producers of goods which other exporters are selling below prevailing

international market prices. The Finance Ministry may apply the measure for up to six months if it appears that the governments of origin are subsidizing the goods in question. The bill is in compliance with international trade laws and specifically EEC and GATT provisions.[111]

Greece is a member of the General Agreement on Tariffs and Trade (GATT), the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the International Bank for Reconstruction and Development (IBRD). In her import/export transactions, she applies the rules of these organizations, the tenets of the EEC Association Agreement and several bi-lateral trade instruments which include accords with the People's Republic of China, Sudan, Brazil, Yugoslavia, Albania, Bulgaria, Romania, South Korea, India, Liberia, Syria, Egypt, Hungary, Poland, East Germany, Czechoslovakia and the USSR.[112] The bi-lateral agreements specify exportable items and annual trade volume targets in both directions.

The Greek export market has diversified considerably since 1962. Agricultural products (all foodstuffs, beverages and tobaccos) which at that time accounted for nearly two-thirds of the goods leaving Greece now make up less than one-third. Specific dominant items, such as tobacco, raisins and furs have decreased in their proportion of volume and value allowing a myriad of other goods to replace them, particularly metals and metal products, chemicals, electrical

equipment, mineral ores and cement. This broadened export base has reduced the dependency of the economy on demand levels for specific volatile items and increased the elasticity and flexibility of exports.

In March of 1975, Greek officials disengaged the drachma from the US dollar (established at DR 30 = $1 US since 1953) and began floating it against the European currencies. This *de facto* devaluation helped to expand exports and restrict the volume of imports as well as to tie the country more closely to her major trading partners. During that year, the export structure shifted, reducing the share of tobacco, raw materials, semi-finished products and petroleum products while increasing the share of foodstuffs and minerals. However, the overall portion of industrial and handicraft products exported did not change, reflecting defeat of a major government effort to expand that sector.[113]

By the end of 1976, the trade situation once again changed. The latest results showed a substantial increase in manufactures exported, particularly clothing and footwear, but also reflected a substantial rise in the volume of imports based on consumer demand rather than economic growth; an inflationary trend. Thus the battle continues. The government must diversify the production base and increase exports while trying to protect the producer and convince the consumer that import substitution is better than buying what he wants.

Economic officials face certain inflexibilities when they try to balance the Greek trade sector. Because of the uncertainties in the Aegean Sea and on Cyprus, Greek military leaders continually demand equipment for modernization. The military budget increased by 30 percent in 1976 to over $1.136 billion and 26 percent of government spending.[114] A considerable portion of this amount and future allocations will buy expensive defense equipment such as attack helicopters, F-16A fighter aircraft, Model 209 submarines, Combatant III guided missile boats and later model tanks, which will increase import figures and continue the defense drain on foreign exchange.

The January 1977 trade figures reflected some improvement by registering a drop of $24 million in the deficit and showing an increase in exports over imports of nearly 7:1.[115] However, Greece still had to rely on substantial invisible earnings to offset a $1.267 billion current account deficit at year's end, up from $1.092 billion in 1976.[116] This reduces budgetary flexibility and ultimately puts the burden right back on Greek planners to reduce the trade deficit through structural reorganization.

Another of Greece's stated trade objectives is to establish commercial ties with as many countries as possible. She has taken significant steps toward this end and has concluded agreements with groups of nations not necessarily aligned geographically or ideologically. On May 23, 1973,

officials formalized trade relations with the People's Republic of China. Since that time Greece has shipped cotton, tobacco, olive oil and pharmaceuticals while the PRC reciprocates with spices, tea, canned meat and light industrial products. The value figures show that a credit balance exists in favor of China and current negotiations are aimed at reducing that by increasing Chinese purchases.

TABLE 3-32

GREEK/CHINA TRADE
($ thousands)

	1973	1974	1975	1976
Imports to Greece	1,391	1,054	2,657	3,940
Exports to China	1,727	28	3,925	1,680

Source: Greece A Monthly Record, Jun 76, p. 6.

During August, a committee of Chinese experts visited the tobacco fields near Dhrama to evaluate cultivation methods at the Tobacco Institute there and decided on additional buys.[117]

Greece also maintains strong and improving trade relations with the USSR which began in 1969. By 1976, trade levels reached $174 million in imports to Greece (food products and some raw materials, engineering equipment and machinery) and $83 million in exports to the Soviet Union (tobacco, raisins and citrus products). On April 19, 1977, the Deputy

Ministers of Foreign Trade for the two countries signed a new agreement in Athens which maintained the 1976 trade levels for two more years and established a new system of payments replacing the restrictive "clearing" method with free foreign exchange, a major step in the relationship.[118] Greek trade with Russia's East European allies totaled over $117.9 million in exports and $124 million in imports in 1976 and economic officials consider these outlets essential to dispose of Greek agricultural surplus.[119]

Greece's trade relations with her Balkan neighbors have improved steadily in recent years and culminated in an Inter-Balkan Conference held in Athens on January 26, 1976. The meeting ultimately led to the signing of new expanded bi-lateral agreements with the participants. On March 30, 1977, Albanian Trade Minister, Nedin Hoxha, finalized the latest accord with Greece which provides for increased trade levels totaling nearly $21 million. Albania will export asphalt, electric energy, hides and chemical products while Greece will ship cotton, cereals, metal products and pharmaceuticals.[120]

Yugoslavia concluded a new agreement with Greece in March of 1977 and this time abolished the payment clearing regulations (as the Russians did the following month), thus opening the system to free currency trading. The accord, signed in Belgrad, includes a "most-favored-nation" clause for tariff benefits, and paved the way for the conclusion

of another instrument allowing Yugoslavian goods to transit the port of Thessalonike.[121]

Romanian President Nicolae Ceausescu visited Greece in March of 1976 and concluded a long-term bilateral accord which officials expect to double the volume of commerce between the two countries in the next five years. Products coming into Greece will include petroleum goods, timber, vehicles (primarily jeeps for the Armed Forces) and tractors, machines, metallurgical items, livestock and meat, and chemicals.[122] Relations with Bulgaria, although maintained on a somewhat more formal level, are steadily improving as evidenced by a 40 percent increase in total trade for 1976 over 1975.[123]

The countries of the European Economic Community transact the largest amount of trade with Greece, and the Federal Republic of Germany heads the list world wide. The majority of German exports to Greece are now capital goods including defense items while Greece supplies mostly manufactured items. The United States also places high on the list, supplying primarily animal feed, foodstuffs, machinery, raw materials and manufactured goods.

Effect of Accession

Although Greece in 1977 largely moved out of the developing nation category, many "developing" characteristics still plague her trade growth. Since her domestic markets remain unable to absorb much of the new industrial output, these goods must be exported and thus are subject to the demand

fluctuations of Greece's trading partners. Accession to the EEC and the sealing of intra-community agreements should dampen these fluctuations and provide increased stability for export markets.

On the other hand, the conditions of accession may exacerbate the already increasing import demand base (composed of raw materials and industrial products as well as consumer items). Tariff abolition will make available readily items which cannot be easily produced in Greece or which can be imported at lower prices. This not only conflicts with the government's import substitution plan but continues to drive the trade deficit higher.

As discussed in Chapter II, the largest single disadvantage for Greece when she accedes to full membership in the Community will be the requirement to apply all the rules of EEC preferential access agreements with third countries.

TABLE 3-33

EEC PREFERENTIAL TRADE AGREEMENTS

Agreement	Tenets
European Free Trade Association (Austria, Norway, Portugal, Sweden Switzerland, Ireland, Finland)	Industrial free trade area effective July 1, 1977
Lome Convention (February 28, 1975) (46 African, Caribbean and Pacific (ACP) nations)	Duty free entry into the Common Market of all ACP products except certain agricultural items
Generalized Scheme of Preferences (1971) (112 developing countries around the world)	Duty free entry into the Common Market of over 2000 manufactured and semi-manufactured products and over 250 processed agricultural products. Quotas may be applied to highly sensitive products.

Sources: <u>The European Community and Developing Countries</u>, 1977-1, p. 8-12.
<u>The European Community's External Trade</u>, 1976-1, p. 4.

Greece's protectionist policies of import licensing, pre-import cash deposits, and equalizing and compensatory tariffs are in direct conflict with the Community's liberal free trade agreements. The transition period required for Greece to synchronize with EEC preferential access requirements remains a major hurdle in accession negotiations and will play a large role in determining Greece's success as a full member of the Community.

Greece does offer the Community a unique opportunity to step across ideologcial boundaries and establish new markets in countries not previously exploited. The strong frameworks constructed by Greece through bilateral agreements can shorten the time required for development of trade systems and assist in smoothly initiating contact between the Community and certain nations that otherwise might be awkward or impossible.

TABLE 3-34

GREEK TRADE BALANCE

	1973	1974	1975	1976	1977[c]
Exports, fob					
(percent increase)	65	41	13	10	13
Imports, cif					
(percent increase)	47	26	21	12	15
Trade Deficit value					
($ million)	2021	2347	3027	3470	3885
(percent increase)	37	16	28	14	11
Balance of Payments[b]					
($ million)	-1185	-1241	- 999	-1084	-1267
(percent change)	193	04	20	08	16

Sources: a) OECD Survey Greece 1977, p. 47, 48.
b) International Financial Statistics, p. 156.
c) Zolotas, Summary of the Statement of the Governor, 1978.

TABLE 3-35

DIRECTION OF GREEK TRADE
($ million)

	exports (fob)				imports (cif)			
	1975	%	1976	%	1975	%	1976	%
World	2293	100	2544	100	5317	100	6013	100
EEC 9	1139	49	1271	49	2261	42	2318	39
of which:								
Germany	482	21	542	21	842	16	872	14
OPEC	287	12.5	357	14	568	10	700	11.6
USSR	87	3.7	83	3.2	102	1.9	173	2.8
China	2	-	1.7	-	1.5	-	4	-
EEUR*	100	4.3	117	4.5	119	2.2	123	2.0
Balkans**	148	6.4	133	5.2	80	1.5	172	2.1
US	116	5.0	145	5.6	392	7.3	408	6.7

* Czeckoslovakia, East Germany, Hungary, Poland

** Romania, Bulgaria, Yugoslavia, Albania

Source: <u>Direction of Trade</u>, Aug 77, p. 38, 39.

TABLE 3-36

GREEK/EEC TRADE
(percent toal Greek)

	To EEC Exports	From EEC Imports	Deficit ($ million)	Percent total Greek deficit
1970	50	52	641	48
1971	51	53	717	49
1972	55	52	830	56
1973	50	55	1050	52
1974	43	50	872	37
1975[b]	49	42	1122	37
1976[b]	49	39	1116	32

Sources: a) <u>Opinion on Greek Application for Membership</u>
b) <u>Direction of Trade</u>, Aug 77, p. 38, 39.

TABLE 3-37

GREEK TRADE

	Exports (fob) (percent total)			Imports (cif) (percent total)			Balances ($ million)		
	1974	1975	1976	1974	1975	1976	1974	1975	1976
Food, Live animals	19.3	22.3	22.4	10.5	8.9	7.5	-87	+ 38	+115
Beverages, Tobacco	9.7	8.2	8.5	0.2	0.1	0.17	+188	+180	+205
Crude Materials	10.6	8.8	10.0	9.5	7.8	6.9	-199	-214	-161
Mineral Fuels, Lubs	9.0	11.0	5.8	22.2	22.2	20.4	-791	-833	-1079
Oils & Fats	1.5	1.8	0.8	0.3	0.4	0.2	+ 15	+ 23	+ 07
Chemicals	5.0	5.8	4.0	8.9	8.7	8.2	-289	-327	-392
Manuf goods	34.6	28.7	31.6	17.8	13.8	12.4	- 77	- 79	+ 58
Machinery, Trspt. Eq.	2.7	3.9	4.9	28.1	35.7	41.4	-1179	-1814	-2366
Miscellaneous Manuf	7.6	9.5	11.7	2.5	2.4	not avail	+ 45	+ 96	not avail

Sources: a) (1974,1975), Statistical Yearbook of Greece, p. 302.
b) (1976) OECD Survey Greece 1977, p. 47,48.

SHIPPING

To say that shipping is merely important to Greece is ludicrous considering Hellenic maritime history, her 9,000 miles of coast and 1,300 islands. In fact, without the shipping industry's financial contribution, the Greek economy would be hard pressed to maintain status quo, much less expand. In 1976, for the third consecutive year, foreign exchange remittances from shipping offset nearly one-third of the

negative trade balance.[124] The industry employs over 150,000 seamen on Greek owned ships (4 percent of the economically active population), and one source estimates that the overall sector provides jobs for nearly one-tenth of the total population making it the largest single business activity in the country.[125] Greek ship owners have made substantial investments in other major domestic industries such as refineries and shipyards which provide more jobs, help to expand the capital assets of the country and increase the industrial export base. The value of these investments today is estimated at over $1 billion. By 1985 they should exceed $3 billion.[126]

The vital role that shipping currently plays is partially a result of incentives which the military Junta adopted to draw Greek owned ships and shipping activities back into Greece. Even though many Greek ship owners disagreed with the politics of the Colonels, business instincts prevailed and by the end of 1973 the regime registered 3,000 vessels under the Greek flag. London and New York based owners shifted various parts of their operations to Piraeus, Greece's major port area near Athens, and attracted the prominent bankers, brokers, ship equipment suppliers and other entrepreneurs necessary to support the new offices.

Under the Junta's incentive Laws 89 and 378, major owners like Niarchos and Onassis set up new outlets without paying any direct company or income taxes. Legislation

established indirect tax rates at a ridiculously low $.10 per gross registered ton (grt) which at 1973's 22 million grt level would have provided only $2.2 million to the government not counting exemptions. Actual tax income under these rules in 1974 yielded only $1.25 million.[127] Although these measures put little cash into the treasury of the dictatorship they did succeed in returning Greek shipping to Greece, and they established the base on which to build the industry.

When democracy returned, Mr. Karamanlis did not impose direct forms of taxation on the shipowners, but in April 1975 he upgraded the tonnage tax to a range between $.40 and $1.20 per grt depending upon the craft's age, type and date of registry. The new regulations scheduled 4 percent annual increases until 1981, and in 1975 tax income under the new system yielded approximately $40 million. The same levies reached out to Greek owned tonnage registered under foreign flags in the form of a "special contribution" to the Seaman's Pension Fund which charged for the privilege of hiring Arab crews and yielded an additional $19 million in 1975.[128] Assets from the shipping industry today are still treated like foreign capital and enjoy freedom from direct taxation measures. This policy continues to limit government receipts but provides a continuously attractive incentive for the expansion of the industry and its investment in the economy.

The Greek fleet currently consists of an interesting variety of owners including the giants (Niarchos, Goulandris

Sons, Lemos Liranos and of course Onassis) but also claims a group of smaller youthfully owned lines characterized by the Thenamaris Group and the Bouboulina Company.

The Onassis fifty-ship fleet of supertankers, bulk carriers and smaller vessels has been run for the past three years by Christina, twenty-seven year old daughter of Aristotle Onassis. The young owner has had some difficulties, mostly as a result of the tanker surplus crisis which developed in 1975, the same year her father died. In spite of this, she has shown business brilliance on several occasions and the empire still retains its position as one of the biggest money makers in the field.

Christina's counterpart in the smaller lines is Mrs. Jenny Pournaras-Bardavilias who in 1975 at the age of thirty-two became the first Greek woman ship owner and named her sixteen-ship fleet the Bouboulina line. She is resourceful and has deftly established a prominent place for herself in an extremely competitive, male-dominated world. Her characteristics are those of many young Greeks making their way in the shipping business.

Whether large companies or small, Greek ship owners enjoy a reputation in financial circles as good credit risks since most are able to show liquid assets which close to equal the debts on their fleets.[129] Although all owners are currently absorbing the costs of idle or "laid up" vessels (primarily tankers without oil hauling contracts)

most Greek lines are less affected because of their conservative approach to super-tanker purchases during the pre-1973 boom times. This means that most Greek ships are working and paying for themselves and reducing the amount of profits eaten up by anchored vessels. Like most businesses in Greece, the shipping lines are almost entirely family owned and staffed, creating tight-lipped, closely run organizations. In a field where competition is critical this characteristic is enviable.

When Greek shipping magnates branched out into other industrial endeavors during the Junta years, they understandably invested in shipbuilding and repair facilities. These new yards provided services for the owner's ships and their building capabilities filled a large void in employment created by decreased repair contracts after the Suez Canal closure in 1967. Niarchos concerns opened the Hellenic Shipyard at Skaramanga, Andreadis enterprises financed one at Eleuis and the Goulandris conglomerate financed the Neorion facilities on the island of Syros.

Business has expanded despite the recent downturn in the shipbuilding trade. In December 1975, the Philippou Bros. shipyards near Piraeus signed a contract with the Egyptian government to build four oil tankers for $7 million.[130] The Arab world has taken active steps since 1973 to establish its own merchant fleet and this order constituted a market break-through for Greek shipbuilding. As of March 1,

1977, the Greek industry totaled seventy-six ships under contract in fourteen different yards.[131] The reopening of the Suez Canal in early June 1975 provided substantial repair business for the Greek yards, and the increase in floating and permanent docking capability since then has turned the country into the largest ship repair center in the Eastern Mediterranean.

In the middle of 1977, the Greek Merchant Marine listed 3,750 ships under home registry and 994 under flags of convenience totaling more than 48.4 million gross tons.[132] Early in 1978, sources increased the number of vessels of Greek registry to approximately 3870 totaling some thirty-three million grt.[133] These statistics rank Greece first in number of ships and third in gross registered tons, which make the nation extremely vulnerable to fluctuations in the world shipping market. By 1975, massive tanker overbuilding forced ship prices to record lows and generated a 100 million ton excess capacity, about twice as much as existing oil movement could fill.[134] The surplus cancelled tanker construction orders (forty to fifty million tons — Greece alone nearly eleven million)[135] and forced the laying up of 10 percent[136] of the world's fleet of oil haulers, including about twelve Greek ultralarge crude carriers (compared to Norway's sixty).[137]

For two reasons, this idle condition has not disabled Greek shipping as much as that of other nations. First, by

1975 a majority of Greek ships (57 percent over ten years) had amortized their debt and subsequent idle time costs did not include mortgage payments.[138] Second, the conservative approach of Greek ship owners toward investing in new classes of vessels kept them away from massive supertanker purchases. Nevertheless, with nearly one-half its tonnage in tankers, accelerating costs and no real end to the oil situation in sight, Greek owners must look toward diversification of their lines and hope that protectionist measures of other nations do not hurt their profits too badly.[139]

Effect of Accession

With the advent of accession, Greek shipping interests will help to determine a common shipping policy not yet concluded in the Community. Greek owners will be able to represent their own needs and aid the establishment of a policy to protect EEC shipping activities from undercutting by rapidly expanding Soviet and Eastern European interests. Common ties with the Community through a joint policy will allow Greek owners to vie for an equal share of contracts for oil hauling to Community nations and provide good opportunities for diversifying into other markets as nations shift to alternate energy sources. The free movement of labor will provide more opportunities for Greek seamen among the fleets of the EEC countries and the generally higher wages will improve the sectors already strong foreign exchange earning position.

After Greece attains full membership status, the Community will be able to count the powerful Hellenic shipping industry as part of its own. The money and power backing Greek shipping will accrue to the Community and provide a substantial increase in bargaining leverage. This fact has increased Greece's influence in current pre-accession negotiations indicating how valuable these pending assets really are to the existing Nine.

Of course, Greek interests will have to accept less autonomy in their decisions and be willing to sacrifice some company-oriented gains for the good of the Community. Group decisions like that will not come easily for the traditionally closeknit, independent Hellenes but the probability of bigger long-term gains should persuade them.

TABLE 3-38

WORLD SHIPPING FLEETS RANKING
BY GROSS REGISTERED TONS

Rank	1974[a]	1977[b]	1978[c]
1	Liberia	Liberia	Liberia
2	Japan	Japan	Japan
3	UK	UK	Greece
4	Norway	Norway	UK
5	Greece	Greece	
6	USSR	Panama	
7	United Sts.	USSR	
8	Panama	France	
9	Italy	Italy	
10	France	United Sts.	

Sources: a) Statistical Yearbook of Greece, p. 467.
b) Dillin, Christian Science Monitor, Aug 24, 77, p. 5.
c) Aust, Christian Science Monitor, Mar 13, 78, p. B12.

TABLE 3-39

GREEK AND WORLD FLEETS
(1975)

	Number of ships	thousand g.r.t.	percent	
World Fleet	63,724	342,162		100
Greek Fleet				
Greek Flag	3,132	23,659	54	
Foreign Flag	1,219	19,454	46	
Total	4,351	43,113		13

Source: Statistical Yearbook of Greece, p. 353.

TABLE 3-40

GREEK MERCHANT SHIPS

	JUN 76[a]		DEC 76[b]		JUN 77[c]		MAR 78[d]	
	No.	(percent grt)	No.	(percent grt)				
Freighters	2320	58	2475	59				
Tankers	479	38	498	37				
Passenger	317	3	327	3				
Misc	205	1	209	1				
Total Greek Flag	No.	grt*	No.	grt*	No.	grt*	No.	grt*
	3321	26623	3509	28573	3750	31361	3870	3300
Total Foreign Flag			1070	17937	994	17070		
Grand Total			4579	46510	4744	48431		

* grt in thousands

Sources: a) Greece A Monthly Record, Jul 76, p. 3.
b) Greece A Monthly Record, Jan 77, p. 6.
c) Greece A Monthly Record, Jul/Aug 77, p. 2.
d) Aust, Christian Science Monitor, Mar 13, 1978, p. B12.

TABLE 3-41

GREEK AND EEC FLEETS
(includes ships under foreign flag)

	Greece		EEC 9	
	grt*	Percent world tons	grt*	Percent world tons
1970	30.9	13.6	57.3	25.2
1971	34.1	13.8	59.6	24.1
1972	39.0	14.6	63.1	23.5
1973	42.6	14.7	65.7	22.7
1974	45.3	14.6	69.1	22.2
1975	48.3	14.1	74.2	21.7

* grt in millions

Source: Zolotas, Greece in the European Community, p. 51.

FOOTNOTES

MAJOR FACTORS IN THE GREEK ECONOMY

[1]Greece: Business in Greece (Menlo Park, Ca: Stanford Research Institute, 1974), 15.

[2]OECD Economic Survey: Greece 1977 (Paris: Organization for Economic Cooperation and Development, 1977), 48.

[3]Michael Wall and Jonathan Radice, "A Survey of Greece," Economist, Sep 20, 1975, 27.

[4]"Greece, Economic Activity and Development," Hellenews Organization, Express, Dec 1976, 7.

[5]OECD Survey, 47.

[6]Economic and Statistical Bulletin, National Bank of Greece, Jul-Aug 1975.

[7]Wall and Radice, "Survey," 27.

[8]Scott F. Sibley, Mineral Industry of Greece, Minerals Yearbook, 1974, US Bureau of Mines, Department of the Interior (Washington: US Government Printing Office, 1974), 11.

[9]Western Europe , Foreign Broadcast and Information Service (FBIS), 4 Mar 77, S2.

[10]Greece: A Monthly Record, Nov-Dec 1976, 6.

[11]Wall and Radice, "Survey," 27.

[12]FBIS, 1 Feb 77, S2.

[13]Business in Greece, 15.

[14]Wall and Radice, "Survey," 27. Walsh suggests (Greece A Special Report, The Times, Mar 18, 1975, viii) that by 1985 hydroelectric power could be supplying 40% of the nations power and a 1974 SRI study suggests that a 1980 to 1984 power development program provided for fifteen new generating stations, twelve of which would be hydroelectric. These two sources, although less recent than Wall, indicate that a

more even distribution may exist between hydroelectric and lignite-peat plants in the next fifteen years. The 1975 and 1980 figures are taken from Overseas Business Reports, No. 76-17, 11.

[15] "Opinion on Greek Application for Membership," Bulletin of the European Communities, Supp 2/1976, 17.

[16] Business in Greece, 6.

[17] Allison B. Herrick, Area Handbook for Greece (Washington: U.S. Government Printing Office, 1970), 276.

[18] J.L. Priamou, "Marketing in Greece," Overseas Business Reports, No. 76-17, 20.

[19] Business in Greece, 19.

[20] "Greece," Translations on Western Europe, No. 817 (Jan 27, 1976), 21.

[21] "Greece, Economic Activity," 12.

[22] "A Turning Point for European Migration," OECD Observer, Jul-Aug, 1975, 1.

[23] Bjorn Edlund, "Swedes Told Immigrants Not Taking Away Jobs," Christian Science Monitor, Oct 26, 1977, 26.

[24] "They Wish Us to Hell," Time, Oct 10, 1977, 58.

[25] Mary Anne Weaver, "Scattered Greeks Go Home Again," Monterey Peninsula Herald, Jul 31, 1977, 7B.

[26] "Migrant Workers and the European Community," European Report No. 327 (May 22, 1976), 1.

[27] Stephen Milligan, "The Nine Ponder Enlargement," European Community, Sep/Oct 1977, 8.

[28] FBIS, 9 Mar 77, S1.

[29] Weaver, "Scattered Greeks," 7B.

[30] "Greece, Economic Activity," 11.

[31]"Merchants Say 'Go East' to Tap Mideast Petrodollars," Christian Science Monitor, Mar 13, 1978, B8.

[32]Economic Bulletin, Sep/Oct 1975, 2.

[33]FBIS, 8 Feb 77, S1.

[34]Greece Monthly Record, Feb 1977, 2.

[35]Greece Monthly Record, Nov/Dec 76, 7.

[36]Greece Monthly Record, Feb 77, 3.

[37]Greece Monthly Record, Mar 77, 3.

[38]FBIS, 7 Jul 77, S2.

[39]FBIS, 28 Feb 77, S4.

[40]Greece Monthly Record, Jun 76, 6.

[41]FBIS, 8 Mar 77, S2; FBIS, 2 May 77, S5.

[42]FBIS, 13 Jan 77, S3.

[43]"Greece A Special Report," The Times, Mar 18, 1975, vii.

[44]Wall and Radice, "Survey," 31.

[45]"A Special Report," vii.

[46]Melissa Cutter, "Greece Seeks Off-season Tourism Hike, Better Services," Christian Science Monitor, Oct 25, 1977, 33.

[47]Priamou, "Marketing," 21.

[48]Greek World, Jul-Aug 1977, 22.

[49]John F. Bernard, The Greek Dilemma (Maxwell AFB, Ala. 1974), 26.

[50]"Greek Glory," Economist, 259 (May 29, 1976), 96.

[51]Cutter, "Tourism Hike," 33.

[52]Helen Millas, "Hospitality, History, Beauty Attract More Tourists than Ever Before," Christian Science Monitor, Mar 13, 1978, B6.

[53]Greece Monthly Record, Oct 76, 5.

[54]Ibid., Jul 76, 3.

[55]Wall and Radice, "Survey," 31.

[56]Joan Sinclaire, "Greece Means A Trip to the Isles," Christian Science Monitor, Oct 25, 1977, 30.

[57]Greece Monthly Record, May 77, 5.

[58]Ibid., Feb 77, 6.

[59]OECD Survey, 17.

[60]D. Weintraub and A. Shapira, Rural Reconstruction in Greece (Beverly Hills, Ca: Sage Publications, 1975), 11.

[61]P.G. Pavlopoulos, "Determining Factors of Inter-industry Wage Level Differences in Greek Manufacturing," European Economic Review, 6 (Jan 75), 63.

[62]In discussing this drive with the members of the Galatas family (the father born in a small village north of Athens and the mother from a central Crete hamlet), they indicated that the Greek desire to adequately provide for their children is so strong that most lower/middle class families will have only two offspring. This is perhaps one of the reasons why Greece's population has grown so slowly compared to other developing countries over the last twenty years. The 1971 census revealed that of 2.5 million households, the average number of members equalled 3.39 (Statistical Yearbook of Greece 1976, 31).

[63]Weintraub, Reconstruction, 64.

[64]Business in Greece, 24.

[65]Ibid., 22.

[66] P.J. Vatikiotis, Greece: A Political Essay (Beverly Hills, Ca: Sage Publications, 1974), 14.

[67] "Opinion," 11.

[68] "Greece, Economic Activity," 18.

[69] Greece Monthly Record, Apr 76, 7.

[70] The Facts (New York: European Community Information Service, 1974), 15.

[71] Herrick, Area Handbook, 234.

[72] Business in Greece, 35.

[73] OECD Survey, 6.

[74] Herrick, Area Handbook, 237.

[75] FBIS, 9 Feb 77, S1.

[76] US Department of State, Airgram from AmEmbassy, Athens, Apr 25, 1977, 12.

[77] "Greece, Economic Activity," 30.

[78] Translations on Western Europe, No. 817, 19.

[79] Statistical Yearbook of Greece (Athens: Greek National Statistic Service, 1976), 213.

[80] OECD Survey, 47.

[81] Greece Monthly Record, Apr 76, 6.

[82] Sibley, Mineral Industry, 7.

[83] "Greece, Economic Activity," 21.

[84] Statistical Yearbook, 194.

[85] Ibid., 309, 310.

[86]Greece Monthly Record, May 77, 5.

[87]US Department of State, Airgram from AmEmbassy, Athens, Apr 25, 1977, 12.

[88]Wall and Radice, "Survey," 30.

[89]Greece Monthly Record, Mar 77, 3.

[90]US Department of State, Airgram from AmEmbassy, Athens, Apr 25, 1977, 11.

[91]John Pezmazoglu, "Greece Proposes Accession to the EEC," World Today, 32 (Apr 76), 146.

[92]Greece Monthly Record, Mar 76, 6.

[93]"Greece, Economic Activity," 19.

[94]Michael Wall, "The Two Faces of Greece, A Survey," Economist, Jul 31, 1971, xxiv.

[95]Herrick, Area Handbook, 226.

[96]"Special Report," v.

[97]"Report of the Recommendations adopted by the EEC-Greece Joint Parliamentary Committee," European Parliament Working Documents 1976-77, 546/76 (Feb 4, 1977), 35, 36.

[98]Ibid., 35.

[99]Herrick, Area Handbook, 218, 220, 223.

[100]Weintraub, Reconstruction, 70.

[101]"Special Report," v.

[102]Greece Monthly Record, Nov/Dec 76, 6.

[103]Greece Monthly Record, Feb 77, 3.

[104]US Department of State, Airgram from AmEmbassy, Athens, Apr 25, 1977, 8.

[105] "Report of Recommendations," 13.

[106] "Europe" No. 2212 (May 7, 1977), 6.

[107] Milligan, "The Nine Ponder," 4.

[108] US Department of State, Airgram from AmEmbassy, Athens, Apr 25, 1977, 7.

[109] Priamou, "Marketing," 5.

[110] Twenty-eighth Annual Report on Exchange Restrictions 1977 (Washington: International Monetary Fund, 1977), 206.

[111] Greece Monthly Record, Jul 76, 3.

[112] Priamou, "Marketing," 4.

[113] Xenephon Zolotas, Summary of the Statement of the Governor, Annual Shareholders Meeting, April 1976 (Athens: Bank of Greece, 1976), 28.

[114] The Military Balance, Institute for Strategic Studies (New York: Praeger Publishers, 1975, 1976).

[115] Greece Monthly Record, Mar 77, 6.

[116] Zolotas, Statement of the Governor, Apr 1978, 23.

[117] FBIS, 31 Aug 77, S2.

[118] FBIS, 2 May 77, S1.

[119] Direction of Trade (Washington: International Monetary Fund, 1977), Aug 1977, 38.

[120] FBIS, 31 Mar 77, S3.

[121] Greece Monthly Record, Apr 77, 2.

[122] Greece Monthly Record, Apr 76, 3, 5.

[123] Direction of Trade, Aug 77, 39.

[124] OECD Survey, 17.

[125] "Greek Shipping: A Special Report," The Times, Nov 22, 1975, i.

[126] Ibid., i.

[127] "Special Report," Mar 18, 1975, i.

[128] "Greek Shipping," i.

[129] Ibid., iii.

[130] Translations on Western Europe, No. 817, 22.

[131] Greece Monthly Record, Mar 77, 6.

[132] "Trade War Nags Greek Shipping," Christian Science Monitor, Sep 14, 1977, 11.

[133] Michael Aust, "Full Speed Ahead for Growing Greek Merchant Fleet," Christian Science Monitor, Mar 13, 1978, B12.

[134] John Dillon, "The High Cost of New Oil Tankers," Christian Science Monitor, Aug 24, 1977, 5.

[135] "Greek Shipping," i, ii.

[136] "How Christina's Doing," Time, Aug 8, 1977, 69.

[137] "Greek Shipping," iii.

[138] Statistical Yearbook, 347.

[139] As an example of the protectionist environment, the US Government attempted to push a bill through in the fall of 1977 (HR 1037) which required that at least 9½% of all oil imported into the US be carried by American tankers. US ships currently haul only 3.9%. "Ships and Chauvinism," Newsweek, Oct 17, 1977, 82.

ECONOMIC FACTOR ANALYSIS AND PREDICTION

To this point this work has investigated Greek economic development since the beginning of the post-war period, examined the Greek/EEC relationship and discussed key factors which bear directly on Greek economic stability. The final section analyzes the specific factors in light of Greek economic trends and Greek accession to the EEC. By determining the degree of each component's movement toward stability and the extent of accession impact, it predicts the effect on the Hellenic economy.

To provide a more graphic picture of how these two parameters — trend movement (t) and accession impact (i) — bear on overall Greek economic stability, (t) and (i) values are assigned for each factor. These values are subjectively selected and based upon a summary and intuitive interpretation of the material analyzed previously. Both sets of ratings utilize a scale of (0) to (6) with (3) representing neutral movement or impact. The values (0), (1), (2) signify negative effect and (4), (5), (6) positive.

The author assumes that the events (t) and (i) are independent, in that 1) current Greek economic trends and 2) Greece's accession to the EEC each constitute a unique set of conditions. However, since both ultimately will be occurring at the same time when Greece does become a full

member of the Community they cannot be considered mutually exclusive. These assumptions have simplified the subjective analysis presented here and for the purpose of this study are considered to be no more limiting on the predictions and conclusions than any other circumstances governing the interactions between Greece and the EEC today.

ECONOMIC FACTOR ANALYSIS

Factor I - Energy

Trend Movement

Although much of Greece's industrial and electrical output currently depends on oil, prospects for the diversification of energy sources in the future are good. Indigenous Greek resources soon should provide substantial portions of the required amounts of lignite, peat, hydroelectric and nuclear energy. The shift away from oil as an energy supply will free what may develop into substantial domestic petroleum reserves for use in the expanding Greek petro-chemical industry as well as reducing trade balances. The Public Petroleum Corporation is coordinating effectively the diversification of the energy base which must be well manned to meet the demands of increased industrialization.

Based upon these conditions, movement toward enhancing Greek economic stability in the energy sector is assessed as high and assigned a weight of: (t) = (5).

Accession Impact

Greece's accession to full membership status in the Community will provide increased technical, managerial and financial resources on which energy officials can rely to further diversification and exploitation programs. The assistance will speed Greece's move toward power self-sufficiency and thus help to reduce more quickly import quotas of energy materials.

At the same time, accession will increase industrial development and correspondingly raise commercial power requirements. These conditions produce a paradox for Greece since economic growth depends on industrial expansion which has greater energy requirements, increases fuel imports and compounds the balance of payments problem.

Thus, accession should have a moderating effect on energy development and is weighted: (i) = (3).

Factor II - Domestic and Migrant Labor

Trend Movement

Greece has long faced a shortage of skilled workers and because of structural inadequacies officials can not effectively resolve the problem. Labor managers speculated in the past that migrant workers returning to Greece would bring with them skills and practical vocational training learned abroad. Since most secured only menial jobs overseas, this transfer of training did not occur. Now these laborers have become a part of the unskilled workforce in Greece and if returning numbers continue to increase, they

could contribute substantially to unemployment problems. Many emigrants also experienced the benefits of a highly industrialized environment and could be prompted to agitate for reforms that the structure is not ready to absorb.

Contrastingly, the government agreed to wage increases over the past two years which improved the compensation picture significantly but did not overburden the economy with inflationary pressures. Social insurance benefits increased and union organizations strengthened their position providing more solid structure for government/employer/employee agreements. High level professionals, particularly industrial managers, agricultural scientists and technological engineers now tend to remain in Greece rather than seeking better paying positions abroad.

Labor conditions in general have steadied but retain structural flaws particularly in the measures developed to train and utilize unskilled workers. Considering these circumstancs, the movement of the labor environment toward stability is weighted: (t) = (4).

Accession Impact

Accession to full membership will increase competition for many Greek companies because of lowered tariff barriers. In some specific industries where rival goods are too competitive, firms will be forced to close, increasing unemployment. On the other hand, the competition will directly confront rich monopolies and compel them to divest their interests which will ultimately help to equalize wages

and salaries within the labor force. EEC membership will bring better organized, more responsive union management to Greece while improving migrant worker conditions abroad. European Commission representatives agreed that host countries must provide foreign laborers with a better living and working environment and more importantly with skill training. Once the on-the-job training is implemented, migrants returning to Greece will have a skill and only need to cross train to Greek methods to become effective. Most migrants initially tend to return to their home villages rather than the urban complexes and with their new skills may remain there, advancing the regionalization efforts of the government.

Considering these benefits, the impact of accession on Greece's labor structure is positive and weighted: (i) = (5).

Factor III - Relations with Arab Countries

Trend Movement

Greece's ties with the Arab world, traditionally strong for twenty years, have continued to expand since the oil crisis of 1973. Arab wealth opened trading doors for Hellenic exports and the broadening of the industrial base in the nations of the Middle East and North Africa provided a market for Greek technology and management skills. The two way flow of goods and services solidified the already established network of exchange initially constructed with oil supply contracts.

To encourage economic growth, Greece has always needed foreign capital for investment in industrial expansion projects. Substantial interest by Arab firms in these enterprises should bring Greece into closer union with the home countries, while the Greek/Arab bank and branches of the National Bank of Greece now located in various Arab nations provide the transfer channels.

The Athens government must closely consider two implications of these relationships. Greece is still heavily dependent upon foreign oil which places her at a disadvantage in any association with supplier countries. Alterations in international political patterns or major shifts in policy by OPEC could restrict the latitude of decision making in Athens and ultimtely destroy the carefully constructed links with the Moslem world. In like manner, Greece's staunch support of Arab foreign policy, particularly as it regards Israel, may place considerable strain on portions of Greek/Arab ties as the different countries shift positions and split on ways to settle the Middle Eastern question.

The conclusion then follows that the relationship of Greece with the Arab countries is strong and expanding but that uncertain factors put future stability in doubt; thus the assigned weight of: (t) = (3).

Accession Impact

For Greece to maintain solid ties with the Arab countries is essential both for Greece and the European Community. Greece provides the bridge between the

industrialized, energy hungry West and the developing oil-rich/capital heavy Middle East. When Greece becomes a full member of the Community, this bridge will essentially become the property of the EC corporation. This condition can only increase the need for a link between Europe and the Middle East as contracts expand and Greece will inherently benefit from her central position. As a result, Mr. Karamanlis' dream of a transportation Europort at Thessalonike appears imminent. Greece's position as financial middleman also requires that the established Hellen/Arab infrastructure remain in tact and once again as full EC membership accrues to Greece her functions in this area will expand and increase that need.

With accession, Greece will naturally lose a certain amount of autonomy in determining political foreign policy which may cause her to modify her position of total Arab support in lieu of a more moderate Community line. This modification may strain Greek/Arab ties and weaken the original link.

With these conditions in mind the effect of accession on this factor is considered positive and assigned a weight of: (i) = (4).

Factor IV - Tourism

Trend Movement

Long a pillar in Greece's financial structure, tourism has changed steadily since the return of democracy to Greece. Building on a solid foundation established by

Mr. Karamanlis during his first period as premier, and in some ways by the military Junta's emphasis on advertising the trade, the new government has developed long range goals which are mature and far reaching. The new objectives consider not only growth but also preservation of what is uniquely attractive about Greece and set realistic limits on the number of visitors the country can effectively serve in any one season. Officials have developed new training programs to improve efficiency and tourism skills and have diversified tourist attractions to appeal to the wealthy weekender and winter traveler as well as the general vacationer and summer visitor.

In recent months, the National Tourist Organization (NTO) has placed considerable emphasis on returning the Summer Olympic Games permanently to Greece. Although the Olympiads can provide all the advantages of a major guaranteed attraction, initial costs will be high and compliance with long range limit and structure goals questionable. Greece still faces staff training problems and the constantly rising costs of supporting tourist services raise real questions about the benefits to be derived.

Projections for somewhat smaller increases in tourist volume for 1978 reflect an implementation of the NTO's efforts to move more slowly in accordance with long range goals. The decreased volume will also reduce foreign exchange intakes and impact on the current account deficit. Although most prospective travelers to Greece are satisfied

that the political situation, often so violent during the years of the Junta, has steadied, Greece's proximity to the Middle East and Eastern Europe always impose a slight element of doubt on visitor confidence. The results of the November 1977 election positioned Andreas Papandreou and his radical left socialists as the major opposition party. Their outspoken views against NATO and the EEC may raise questions once again about the stability of Greece's political atmosphere.

The structure of this factor and the application of a new long-range attitude, project a favorable picture and thus is assigned a weight of: (t) = (5).

Accession Impact

Greece stands to benefit from accession to the Community primarily by the stronger formal ties that full membership will generate. A greater amount of contact by Europeans with Greek culture and thought will attract more visitors to the Hellenic world. Standardization of tourist service and pricing methods will remove inconveniences which often deter prospective travelers and the final affirmative resolution of the question: "Will Greece become a part of the European Community?", will help to remove doubts about Hellenic political stability.

Conversely, Greece will have to pay to upgrade tourist facilities and methods to European standards and in the process will sacrifice a certain amount of autonomy. The new techniques may increase pressures toward giving

tourism the big business atmosphere and sacrificing the traditional values so central to the goals of the NTO.

As a result, Greek tourism stands to benefit statistically from accession to the Community, but imposed structural changes will alter some basic tourism goals. The effect of accession is thus weighted: (i) = (3).

Factor V - Regionalism

Trend Movement

Greece's regional concentration of industry and population into two major centers, Athens and Thessalonike, began as soon as rural Greeks perceived that living conditions could be better away from their villages. Since then a steady stream of people have flowed toward the cities and left many parts of the countryside in decline while saturating the urban complexes, particularly Athens/Piraeus. Villagers made their moves not only for material enrichment, but to provide more opportunities for their children, a noble goal which presented formidable resistance to officials who would stop the migrations.

Perhaps because of this difficult opposition, the government chose to ignore the growing problem for many years until the heavily skewed population and industrial distribution threatened the basic social structure of the country. By the middle 1970's the problem soared out of control and even though the military regime and then the Karamanlis government implemented stringent correctional plans final solutions are not yet in sight.

Some measures do appear finally to be taking hold. The incentives for industrial relocation offered by the current government received good response and new 1977 health care programs convinced many Greek workers that they will receive at least medical support if they choose to live away from the major urban centers. To achieve a real reversal of the problem will require more extensive efforts, such as full implementation of the urban/industrial pole concept outlined earlier and total support commitments toward village and island enterprises.

Government officials are not fully cognizant of the need for regional restructuring but the complex nature of the problem and the deeply rooted causes heavily reduce the progressiveness of this factor and result in an assigned weight of: (t) = (1).

Acession Impact

All new plans, particularly those requiring restructuring of time-established networks take considerable amounts of money to implement. Accession to full membership in the EEC will provide Greece with significant regional development and social reorganization capital from Community funds. The financing should allow officials to speed up implementation plans offering greater incentives to industrial firms for relocation, by retraining and reeducating workers to jobs outside the country and by breaking down some of the inertia holding back decentralization.

Of course the money will come with restrictions, and proud, confident Greek officials will have to surrender some of their autonomy to Community representatives. The government will have to specifically define objectives and produce results from restructuring programs.

These restrictions should serve to improve the likelihood of success and thus the impact of accession is weighted: (i) = (5).

Factor VI - Industry

Trend Movement

As with the regional factor, Greek industry faces deeply rooted structural problems ingrained over years of inefficient government supported operations. All Greek post-war governments realized that industrial development required large amounts of capital investment, but they could not attract enough to meet the need. The military oligarchy succeeded in initiating several major investment programs but they provided such high incentives that Greek industry directly gained little. As small family owned firms began to flounder, officials implemented support and protectionist devices which prevented business failures but did not address underlying structural weaknesses. Domestic firms chose to borrow capital at expensive rates rather than reinvest profits and Greek investors generally placed their funds in housing construction, shying away from manufacturing or other high-risk industries. When the governments did succeed in attracting investment capital for other than

building propositions, investors selected light industry or consumer goods manufacturing rather than capital production.

In the last three years, the Karamanlis regime has reversed some of these tendencies. The Industrial Development Bank loans funds and provides investment assistance on a much larger scale. Major industries like aluminum and textiles have stabilized their operations and continue to attract new expansion capital while some of the relatively smaller activities (cement, food processing, petro-chemical) are diversifying rapidly.

Even though many reorganization requirements remain, Greece's overall industrial production continues to expand at a rate equal to or greater than most European countries. Trend movement therefore is assessed as mixed for this factor and assigned a weight of: (t) = (3).

Accession Impact

When Greece attains full membership in the Economic Community most of the protectionist devices now sustaining inefficient and non-competitive firms will cease according to EC regulations. This requirement is a double edged sword affecting both the long and short term outlooks. The weak, parasitic companies will be forced out of the market making room for new reoriented growth and freeing government funds for other projects. Their departure however, will temporarily decrease employment and cause disorientation within the sector. Officials will need to anticipate the specific effects and plan appropriate adjustment measures.

Community membership will provide Greek industry with access to European technology and peripheral markets and offer opportunities for joint enterprise ventures. All of these advantages will help to tone and focus Greek industrial operations as companies expand to avail themselves of the new possibilities. The more stable environment and closer physical ties with the EC countries will also provide more open investment networks supplying Greek industry with vital expansion capital.

Accession should significantly benefit Greece's long term industrial development and is assigned a weight of: (i) = (5).

Factor VII - Agriculture

Trend Movement

Greek resistance to agricultural reform stems from many of the same reasons that suppressed industrial reorientation. Traditional attitudes of farmers confronted officials with largely fragmented farm holdings and strong owner unwillingness to consolidate their lands into more economical divisions. Post-war reconstruction patterns established subsidy and support systems which soon became accepted and expected practice. Farmers did not consider growth or diversification of the agricultural industry their responsibility and although they accepted the government's financial aid they openly resisted its attempts at management reform. The large percentage of Greek adults involved in farming pursuits represented a substantial voting block and forced

elected officials to tread softly when making agricultural policy. Although the proportion is smaller today, about one-third of the working population still depends on farm related enterprises for income and thus represents a large lobby.

Despite the large proportion of workers employed in agriculture, Greece is less than self-sufficient in several farm products including important meat and dairy items and as the domestic demand for these goods increases, import volume and prices rise. At the same time the sector produces heavy overages in vegetables, citrus fruit and wine.

The Karamanlis regime attacked the diversification problem by expanding the functions of the Agricultural Bank to effectively meet the growth needs of the farmer. The 1977 agricultural plan applies research in new crop areas, allocates increased credit for development efforts and places heavy emphasis on improvement in the livestock/dairy area. All these efforts are specifically directed at shifting production to more saleable commodities and at reducing agricultural imports.

Farmer resistance to diversification remains and average land holding size continues to increase sluggishly. Some structural improvement can be seen but very difficult adjustments remain resulting in an assigned weight of: (t) = (2).

Accession Impact

Although Greece has dropped most agricultural tariff barriers with her major trading partners, accession to the EEC will require that she implement all Community agreements with third countries. These arrangements encompass trade with many poorer nations which export agricultural goods at low prices and could flood Greek markets with products now blocked by high import duties. Within the Community, French farmers are demanding that the Common Agricultural Policy (CAP) change to include minimum prices on Mediterranean produce and the imposition of higher standards, forcing up Greek costs.

On the other hand, Greece's accession will help to relieve some tough competition for her agricultural products with the EC by employing CAP provisions and eliminating the imposition of arbitrary countervailing charges. Current negotiations indicate that the membership agreement will allow transition periods for the harmonization of policies on certain critical products (meat, dairy items and wine) providing Greek producers with the time to adequately develop their sectors. Community funds will provide financing for these development efforts. Even more important, Community programs should improve farm income and benefits, and thus help to break down resistance to diversification and land consolidation.

After two years, accession negotiators have not yet reached agreement on how to mesh current Greek agricultural

conditions with Community requirements, indicating the complexity of the problem and an assigned weight of: (i) = (3).

Factor VIII - Foreign Trade

Trend Movement

Greece's trade deficit continues to increase and forces officials to rely more heavily each year on invisible foreign exchange receipts to stabilize the current account balance. Certain import conditions remain inflexible and preclude any simple corrections to the inflow structure. The continuing uncertainty with Turkey over Cyprus and the Aegean requires Greek military leaders to demand heavy buys of expensive capital defense goods. The cost of mineral fuels, although not skyrocketing in the last twenty-four months, remains high and generally increasing. Real consumer income has significantly improved since 1975 and provided all Greeks with more buying power, thus more impact on demand structure. Greek industry does not produce many items desired by consumers who turn to the import markets to utilize their enhanced purchasing power. Thus import figures are climbing because of artificial demand pressures rather than real economic growth.

As a result, officials face a dilemma. Import tariff structures and protection schemes (categorizing, pre-import cash deposits, licensing, etc.) take considerable amounts of money and effort to operate but without them domestic

demand and readily available international imports would force the trade deficit above the critical level. The Karamanlis government has succeeded in partially adjusting import lists by encouraging domestic industries to switch to target demand goods and by a de facto devaluation of the drachma in 1975.

From the export standpoint, recent months have shown a broader diversity of items shipped from Greece and a resulting decrease in dependency on the demand cycles of a small group of goods. Within this broadened base, industrial products increased significantly and provided the first successful gains toward real expansion of the industrial export market. At the same time new bilateral agreements concluded with many of Greece's trading partners expanded export possibilities and provided a strong market for her agricultural surplus.

Relating these conditions shows some movement toward diversifying exports and curtailing imports through domestic substitution, but also reveals a structurally handicapped trade picture that does not promise to improve in the near future resulting in an assigned weight of: (t) = (2).

Accession Impact

Greece should realize some major trade benefits from full membership status. Application of Community trade rules and closer coordination of trade policies will help to dampen the effects of demand fluctuations so critical to Greece's still underdeveloped export sector. Collaterally,

markets not previously open to Greek goods will become available. From a long range standpoint, as a full partner in the European Community, eventual complete harmonization of trading policies on all goods will make normal market stability a reality.

Conversely, current Community regulations will require Greece to open several markets to free competition when they may not be fully ready. The European Coal and Steel Community agreements depict this problem. Greece currently makes no special compensation for imported ECSC goods and officials impose tariffs as they deem necessary. With accession, tariff walls will drop and ECSC's lower prices will shock the Greek steel industry, ultimately affecting its exports. At the same time, accession will make cheaper Community exports more appealing to Greek consumers and encourage demand buying. The cheaper imports in areas where Greek production is weak will curtail development because of investor reluctance to support highly competitive ventures.

In the long run, accession will benefit Greek trade stability, but in the months immediately following membership the impact of dissolved tariff walls and severe competition will take its toll; thus the assigned weight: (i) = (4).

Factor IX - Shipping

Trend Movement

Since the military oligarchy offered major incentives for Greek shipowners to return their operations to Greece, the Hellenic shipping industry has grown and become a real

pillar of the economic structure. Foreign exchange earnings have offset over one-third of the trade deficit since 1974, crews and associated activities have provided employment for as much as one-tenth of the population and spin-off industries from shipping investments have made Greece the largest ship repair center in the Eastern Mediterranean. The port of Piraeus houses offices for all major legal, commercial and financial shipping support corporations in the world and even during the current slowdown in shipbuilding starts, Greece adds an average of 200 ships to its registered inventory every six months. Greek shipping firms enjoy some of the strongest financial ratings in the industry and claim less percentage of laid up tonnage than any other major fleet. Rather than shying away from the critically competitive conditions that exist in the environment today, young, tenacious Greeks are buying into the industry and making it vital and progressive. As a result of these strengths, the existing crisis has not affected the Greek fleet as it has so many others.

A major criticism of Greek shipping companies is that they do not pay direct taxes or income on profits. Some officials feel the administration eventually will have to eliminate this carryover from Junta incentives and the industry will have a hard time adjusting. Most feel that reasonable taxes will not reduce shipping effectiveness at all. In the meantime, owners are trying to replace surplus tankers with dry cargo and cruise ships to adapt their fleets to the changing international market.

The structure of Greek shipping stands out as one of the most stable in Greek industry with sound prospects for the future. Thus factor movement is weighted: (t) = (5).

Accession Impact

The Community itself stands to benefit substantially from the addition of Greek shipping strength and financial power. For this reason Greek interests should play a large part in developing a common shipping policy among the member states. Since Soviet and East European fleets have begun to acquire a considerably larger share of world contracts (most by cost undercutting), Community nations will have to develop firm standards and strict resolutions to remain competitive. Greek companies should benefit from this united front and retain their portion of the market. Community membership should also help to ensure a proportionate share of the oil hauling market and the EEC's higher labor standards should help to increase the benefits to Greek seamen.

The price Greek shipping will have to pay for accession advantages is once again a certain amount of autonomy. Greek concerns will have to make decisions for the good of the Community, in many cases, rather than just Hellenic interests. These sacrifices should have small impact, however, and the overall benefits should be great, thus the assigned weight of: (i) = (5).

PREDICTION

Trend movement (t) and accession impact (i) are not mutually exclusive events since the influence of one on

Greek economic stability does not preclude the effect of the other. Additionally, both are weighted parameters rather than simple observations. For these two reasons, the prediction quotient used here is derived from the product $(t \times i)$ rather than the sum $(t + i)$.

Assuming that a neutral trend movement of $(t = 3)$ and a neutral accession impact of $(i = 3)$ would yield a neutral prediction quotient of (9), the quotient arrived at in the study:

$$\sum (t \times i)/N = 13.44$$

suggests that Greece's accession to the European Economic Community should have a stabilizing effect on the Hellenic economy (see Figure 2).

The degree of stability predicted becomes more apparent when considering the extremes of possibility. If the trend movement toward stability and the impact of accession for each factor had received the maximum value (6), a prediction quotient of (36) would have resulted. Considering the nature of Greece's economy and conditions in the European Community, this result is idealistic and a maximum quotient of (25) (mean of $t = 5$, mean of $i = 5$) appears realistic. The neutral-to-maximum realistic value range then lies between (9) and (25) and the study's quotient, (13.44), lies 27 percent above the neutral point, predicting a moderately stabilizing effect (see Figure 3).

FIGURE 2

TREND MOVEMENT AND ACCESSION IMPACT WEIGHT

N	Factor	Trend Movement (t)	Accession Impact (i)	(t) x (i)
1	Energy	5	3	15
2	Labor and Migrant Labor	4	5	20
3	Relations with Arab Countries	3	4	12
4	Tourism	5	3	15
5	Regionalism	1	5	5
6	Industry	3	5	15
7	Agriculture	2	3	6
8	Trade	2	4	8
9	Shipping	5	5	25
		$\sum t = 30$	$\sum i = 37$	$\sum (t \times i) = 121$

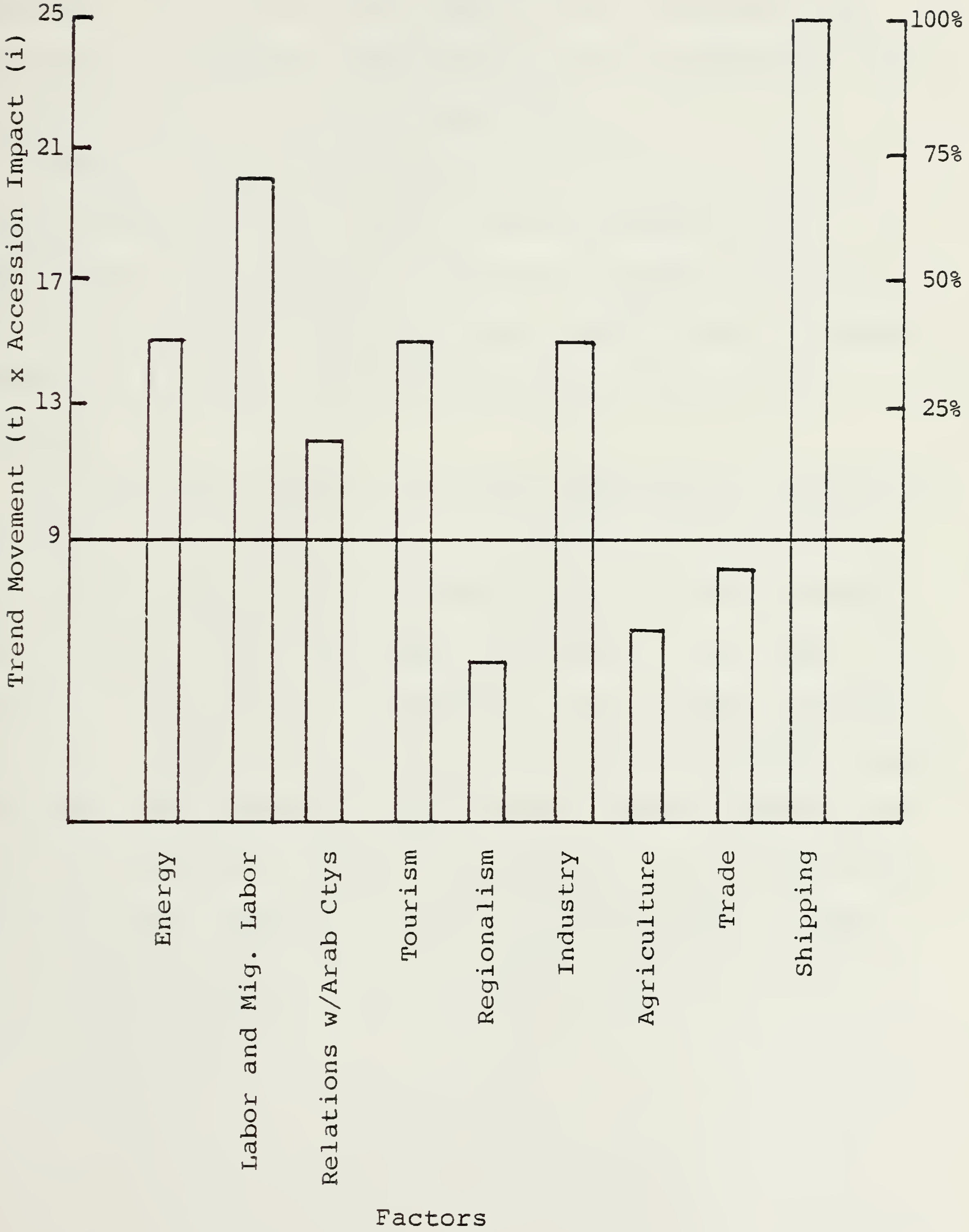
Average Trend Movement $\sum t/N = 3.33$

Average Accession Impact $\sum i/N = 4.11$

Prediction Quotient $\sum (t \times i)/N = 13.44$

FIGURE 3

DEGREE OF STABILITY
PREDICTION



Considering the (t) and (i) values themselves, note that average trend movement ($\sum t/N$) equaled 3.33, a near neutral figure, while average accession impact ($\sum i/N$) equalied 4.11, a relatively higher value, revealing that the effect of Community membership played the dominant role in arriving at the positive prediction.

Energy, Tourism and Shipping are the factors in the economy advancing most rapidly toward stability while Regionalism, Agriculture and Trade are the most sluggish. Four factors should receive the most benefit from accession: Domestic and Migrant Labor, Regionalism, Industry and Shipping.

As previously stated, the values assigned are subjective but were selected based upon quantified and statistically sound facts concerning the Greek economy and EEC accession as contained in the development chapters of this study. The prediction that Greece's accession to the European Community will have a stabilizing effect on the Hellenic economy remains the subjective judgment of the author. However, membership will not necessarily benefit all aspects of the economy and officials must continue to strive for improvement in many areas before Greece can attain her full economic potential, in or out of the EEC.

CONCLUSION

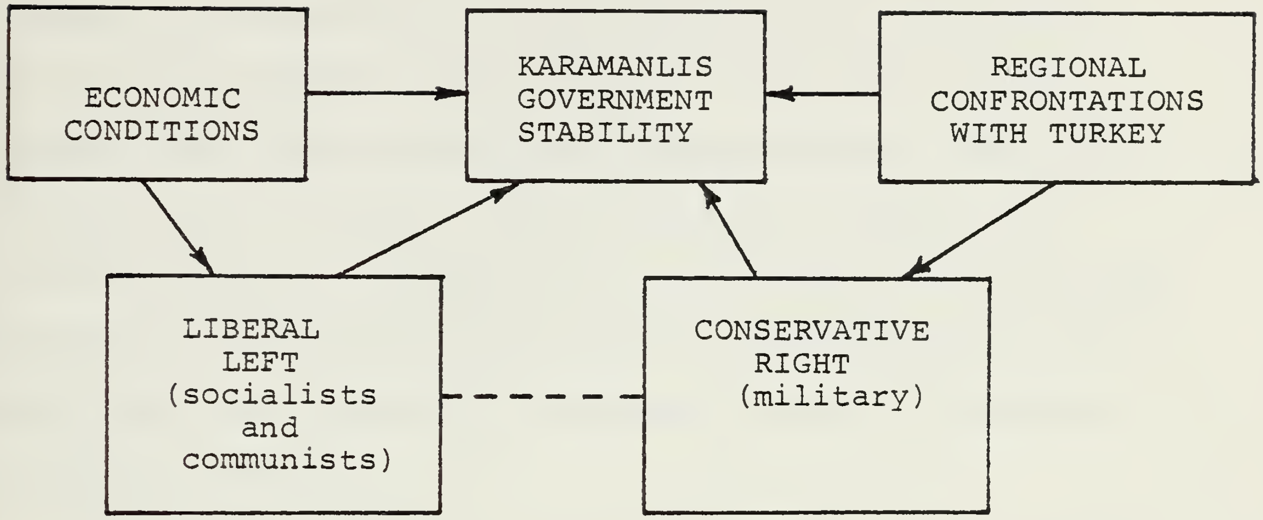
This work offered the major hypothesis that political stability in Greece is directly related to economic stability and then set out to determine if Greece's accession to the EEC would provide the conditions necessary for economic equilibrium. Since this study has concluded that Greece's membership in the Community will in fact have a stabilizing influence on the Hellenic economy, it remains only to show that accession will, as a result, contribute to political calm and constancy.

Greece does not have a history of political stability. The conservative Right and the Socialist/Communist Left have reacted continuously in the past to perceived threats from the environment and from each other. Mr. Karamanlis lost his first premiership as a result of leftist reactions to his conservative policies. The radical-right military oligarchy ostensibly seized power because they perceived a surge of left-wing influence and could not accept the possibility that Greece might liberalize. Under the unique political circumstance of 1974, Mr. Karamanlis returned to power with overwhelming approval as a center-right leader but in the most recent elections, the pendulum began to swing again as 25 percent of the voters signaled their desire for change and supported the radical left PASOK socialists.

Mr. Karamanlis now faces a difficult dilemma. The following model illustrates the current elements.

FIGURE 4

DOMESTIC MODEL



The stability of the prime minister's government depends chiefly on developments in two areas: 1) regional confrontations with Turkey and 2) the economy. The former continue to smolder on both the Cyprus front and over rights in the Aegean Sea. After the death of President Makarios, many hoped that a significant breakthrough might occur and that Turkish troops would be withdrawn allowing Greek Cypriots to return to their homes in the occupied north. To date conditions on the island remain stagnant, just as negotiations on the Aegean dispute over mineral and airspace rights show little progress. Turkey currently faces severe economic dislocation however, and has implied that she must reduce the financial drain of her huge military structure including the force on Cyprus. These domestic problems

may portend a relaxation of tension and remove some of the pressure on Mr. Karamanlis.

The Pan Hellenic Socialist Movement (PASOK), now the *de facto* representatives of the liberal left, agree with the right that Greece must maintain a hard line toward Turkey. PASOK representatives disagree however, that the military should continue to strengthen and modernize to its current extent, claiming that the increase in power only heightens the possibility that conservative-right instincts might drive the soldiers to entertain thoughts of another government takeover.

Finally, Mr. Karamanlis faces the economy. In the past, if the Left received support because of economic unrest, the Right, if strong enough, intervened to prevent the shift. As this study shows, the Greek economy faces considerable pressure from general development, industrialization and association with rapidly advancing economies in the West. It needs a stabilizing force to assure the people that it is progressing and expanding in the proper directions. Once the economy acquires this, the Left should then receive little support for its claims of dissatisfaction and the Right will have no stimulus for reaction. This study concludes that the necessary stabilizing force is available to the Greek economy through accession to the EEC and that specific, critical economic areas will benefit from the association. It then follows, based upon the paradigm

presented here, that membership in the European Community can be reasonably expected to enhance Greece's political stability.

Viewed from the Community, Greece is the back door to Europe and the front door to the Eastern Mediterranean, the Balkans, North Africa and the Middle East. Her position is unique, her resources largely untapped. If economic, and thus political, stability do in fact follow accession, the Hellenic nation will be able to exploit her singular opportunity to bridge the economic, political and social gulfs between North and South, and East and West.

APPENDIX A

ECONOMIC INDICATORS IN THE GREEK ECONOMY

This appendix consolidates various Greek economic growth indicators that are readily quantifiable. They provide a picture of the internal structure of the Greek economy and constitute the foundation supporting the factors analyzed in the text. The body of the work addresses several of the indicators in specific context, thus only key elements and trend information are presented here. For comparative purposes, a statement about the movement of similar indicators within the Community is made.

PRODUCTIVITY

Gross Domestic Product (GDP) is defined here as the total value of final products produced within a country's national boundaries; Gross National Income (GNI) is equal to GDP plus the income of permanent Greek residents abroad less the income of foreign nationals in Greece; Gross National Product (GNP) is equal to GNI plus indirect taxes less government subsidies.[1]

With the exception of politically chaotic 1974, the Greek economy has grown steadily since 1958, boasting average yearly increases in GDP at constant market prices of 6 percent. Even during 1975, when most other nations suffered economic slowdowns (GNP decreases in real terms) from the international recession, Greece's GNP rose 5.6 percent. In 1976, the GNP again increased by nearly 6 percent and continued an accelerating trend primarily induced at that time by public investments in industry. In 1977 the growth rate slowed to 3.9 percent, largely due to a decline in agricultural output and sluggish manufacturing output.[2]

Sector production breakdown shows that a substantial portion of Greece's GDP is still derived from the primary (agricultural) sector while industry's contribution has remained virtually unchanged since 1966. From 1970 to 1976, GNP per capita grew 113 percent at current prices and nearly 20 percent in real terms at 1970 constant values. The Hellenic nation ranked fourth among the EEC countries evaluated for rate of

GDP growth between 1970 and 1974, exceeded only by Belgium, the Netherlands and Germany.

In the EEC, the economic recovery which began in late 1975 continued through the early months of 1976 and then began to slow. By mid-year, growth actually paused primarily because of stock movements, slacker demand and decreased investment tendencies. Final growth for 1976 as measured by GDP increase showed a rate of about 4.5 percent as against a 2.2 percent decline in 1975.[3]

TABLE A-1

PRODUCTIVITY BY SECTOR
(percent GDP)

	1953[a]	1966[a]	1975[b] Greece	1975[b] EEC 9
Agriculture	32	22	16	5
Industry	20	30	30	44
Services	48	48	54	51

Sources: a) Herrick, Area Handbook for Greece, p. 199.
b) European Commission Bulletin No. 124/76, p. 4.

TABLE A-2

GREEK PRODUCTIVITY
(current prices - $ billion)

	1970	1973	1976
GDP (factor cost)	9.96	16.13	21.78
GNP (market prices)	10.13	16.57	22.45
GNP/capita ($)	1153	1861	2467

Source: International Financial Statistics, p. 156.

TABLE A-3

GREEK/EEC PRODUCTIVITY
(current prices)

	GDP ($ Billion)			GDP/capita ($)		
	1970	1974	% inc.	1970	1974	% inc.
Denmark	15.5	30.40	96	3159	6026	111
Netherlands	31.6	69.18	118	2429	5109	110
Belgium	25.7	53.42	107	2664	5466	105
Germany	187.7	384.53	104	3095	6195	100
Greece	9.6	18.97	97	1091	2139	96
France	144.7	266.10	83	2851	5061	77
Italy	92.7	149.81	61	1731	2760	59
UK	119.8	188.99	57	2162	5371	55
Luxemb.	n.a.	2.13	-	n.a.	5987	-
Ireland	n.a.	6.73	-	n.a.	2180	-

Sources: (1970) Statistical Yearbook for Greece, p. 471.
(1974) OECD Survey Greece 1977, p. 51.

TABLE A-4

GREEK REAL INCOME
FROM NATIONAL PRODUCTION
(percent increase)

	1975	1976	1977
Primary (agriculture)	5.7	-2	- 4.9
Secondary (industry)	5.8	8.8	4.3
Manufacturing	5.5	9.8	2.0
Tertiary (services)	4.5	6.0	4.9

Source: Zolotas, Summary of the Statement of the Governor, 1978, p. 15.

TABLE A-5

GREEK/EEC CPI COMPARISON
(average of monthly increases)
(percent)

	1973	1974	1975	1976	1977 (Qtr I)	1977[b]
Greece	15.4	27.5	13.4	13.4	11.1	12.2
Belgium	7.0	12.5	12.8	9.2	7.7	
Denmark	9.3	15.3	9.8	9.0	10.9	
France	10.0	11.8	10.8	15.4	n.a.	
Germany	5.6	5.9	14.1	10.4	7.5	
Ireland	17.8	6.4	15.7	18.2	14.6	
Italy	21.0	17.3	7.9	20.6	18.6	
Luxembourg[a]	6.1	9.5	10.8	9.8	8.1	
Netherlands	7.8	3.3	18.7	12.2	7.0	
UK	10.1	3.5	15.0	14.6	10.4	
EEC Avg.	10.52	9.50	12.84	13.26	10.60	10.0

* average of (8) not including France

Sources: <u>International Financial Statistics</u>, p. 29 (Aug 77)
a) <u>International Financial Statistics</u>, p. 35 (Jul 77)
b) Zolotas, <u>Summary of the Statement of the Governor</u>, 1978, p. 18.

TABLE A-6

GREEK INFLATIONARY INDICES
(percent)

	1975	1976	1977
Consumer Price Index (Jan. to Dec. increase)	15.7	11.7	12.8
Wholesale Price Index (Jan. to Dec. increase)	10.1	15.8	10.8

Source: Zolotas, <u>Summary of the Statement of the Governor</u>, 1978, p. 18.

INFLATION

Greece continues to battle inflationary trends begun during the political turmoil of 1973 and 1974. The democratic government returned the Consumer Price Index (CPI) to a reasonably acceptable level of increase by the end of 1974 but as much needed wage increases took effect and money supply and credit expanded, demand and thus prices again began rising in 1975.

Because of Greece's dependence on international trade, domestic prices that creep above world prices have a critically debilitating effect on the country's competitiveness and thus economic growth. The government could have devalued the currency to return Greek goods to competitive status but realized that this would only increase domestic prices further and accelerate the inflationary spiral. Officials elected instead to limit wage, salary and profit increases to absolute minimum levels, curtail the supply of money and stiffen credit requirements. The administration has maintained this approach since then and succeeded in holding the CPI increase from the beginning to the end of the year within the 10-12 percent goal for 1976 at 11.7 percent. Primarily due to increased unit labor cost and reduced agricultural output the CPI increase from January to December 1977 rose to 12.8 percent.[4]

Within the Economic Community, inflationary trends vary widely from country to country. Generally, early and late

1976 and 1977 showed accelerating trends due to higher prices for agricultural produce, imported raw materials and some currency depreciation. These effects dampened out in the middle months of each year as wage costs slowed and favorable summer season effects came into play.

TABLE A-7

GREEK WAGE LEVEL/LABOR COST INCREASES
(percent from previous year)

	1976	1977 (Jan - Sep)
Average Annual Minimum Wage	22.0	17.0
Average Hourly Wage - Manufacturing	30.4	22.0
Unit Labor Cost Manufacturing	22.0	21.0

Source: Zolotas, Summary of the Statement of the Governor, 1977, p. 18; 1978, p. 17.

UNEMPLOYMENT

The unemployment picture in Greece is difficult to display because of the techniques used to register the large number of agricultural related workers, which may or may not be employed, and the large number of self-employed. The 1977 OECD Survey on Greece suggests that the 1976 1.5 percent reported rate of registered unemployment would be closer to 4 percent if calculations considered young persons seeking jobs for the first time and villagers who return home when they lose seasonal jobs in the tourist, agriculture and construction industries.[5] This disguised unemployment is particularly prevalent in the services sector and with the expansion of the tourist trade may be greater than perceived. Although many of the self-employed are engaged in farming, nearly 40 percent are established in non-agricultural pursuits, a figure which is substantially higher than the OECD average for developing countries of Greece's level.

Unemployment did increase from 3.6 percent in 1974 to about 4.0 percent in 1975 and if the OECD estimates of 4 percent for 1976 and 1977 are accurate, Greece's position compares favorably with the EEC Nine. The Community rate stood at 4.8 percent in July 1976 and jumped to 5.4 percent at the end of July 1977[6] primarily from new entries in the market, school graduates and women seeking employment again as the economic outlook improved.[7]

TABLE A-8

GREEK REGISTERED UNEMPLOYMENT
(non-agricultural)
(percent)

1970	1971	1972	1973	1974	1975	1976[b]
6.0	4.5	2.5	1.5	3.0	3.0	1.5

Sources: a) Overseas Business Reports, No. 76-17, p. 3.
b) OECD Survey Greece 1977, p. 12.

TABLE A-9

GREEK EMPLOYMENT CONDITIONS

	Jan-May 1975	Jan-May 1976	Percent Change
Unemployed	44023	37160	-15.6
Workers Laid Off	11493	10427	- 9.3
Hirings	42199	47102	+11.6
Vacancies	1938	2424	+25.1

Source: Greece: Economic Activity and Development, p. 12.

BALANCE OF PAYMENTS

Resolution of the negative balance of payments problem remains critically important for Greece but is not unmanageable at this time. A substantial surplus of invisible foreign exchange earnings from tourists, migrant laborers and the shipping industry offsets approximately two-thirds of the trade deficit and for the last three years has left a relatively constant negative balance in the current account of about $1 billion.

Greece also is fortunate that capital inflow required to balance this deficit is nearly totally available from deposits in foreign exchange accounts and from real estate purchases, both made by Greeks living and working abroad. The accounts are appealing because they bear high interest and may be retained for five years after the owner returns to Greece, while the foreign exchange real estate transactions are conducted on privileged terms.[8] Most of these capital transfers are permanent since the majority of the investors eventually return to Greece. It should be noted that the net repatriation trend of migrant workers over the last three years will begin to decrease this source of capital inflow as well as diminish the amount of invisible worker remittances, both directly affecting funds which help to offset the negative trade balance.

The European Community in 1976 experienced a rapid rise in the value of imports over exports due to stock replenishments and the increase in world prices for essentials.[9]

The overall Community trade deficit was estimated at about $18,000 million for 1976 up from $5100 million in 1975. More striking was the Community's current account status which stood at a $10,000 million deficit for 1976 against a surplus of $500 million in 1975. Estimates for 1977 indicate a reversal of these trends however.

TABLE A-10

GREEK CURRENT ACCOUNT

	1972	1973	1974	1975	1976[b]	1977[d]
Trade Deficit[a] ($ million)	-1605	-2816	-2888	-3050	-3328	-3887
Foreign Ex. Rcts. (Tourism, Shipping, Worker Remittances)	1208	1628	1675	1961	2236	2620
Percent Offset	75	57	57	64	67	67
Current Act. Deficit ($ million)	- 399	-1188	-1213	-1088	-1092	-1267
Net Capital Inflows[c]	395	1045	1151	1219	1147	1330
Percent Coverage	98.0	87.0	94.0	112.0	105.0	105.0

Sources: a) _OECD Survey Greece 1977_, p. 17
b) _Greece Economic Activity and Development_, p. 30.
c) _Statistical Yearbook of Greece_, p. 450.
d) Zolotas, _Summary of the Statement of the Governor_, 1978, p. 23.

TABLE A-11

BALANCE OF PAYMENTS GREECE AND EEC
($ million)

	1973	1974	1975	1976
Greece	-1188	-1213	-1088	-1092
Belgium	+1153	+ 911	+ 700	- 304
Denmark	- 472	- 987	- 508	-1906
France	- 691	-5942	- 002	-4307*
Germany	+4301	+9590	+3859	+3018
Ireland	- 234	- 687	- 70	n.a.
Italy	-2510	-7818	- 528	-2901
Luxembourg	Data for Belgium applies for Bel-Lux Econ Union			
Netherlands	- 199	- 165	+ 30	n.a.
UK	-2048	-8581	-3676	-2551
EEC Total	- 700	-13679	- 195	-8951

* Three quarters only

Source: International Financial Statistics, Aug. 1977.

TAXATION

Greece's 1977 taxation scheme provides three times as much public revenue from indirect levies as from direct tax income. This arrangement creates a lack of flexibility for expansion since indirect revenues can be raised only to a certain level. If the government hopes to implement significant social reform measures and provide more social insurance, officials will have to increase direct taxation on profits and incomes including personal earnings. The government made certain direct tax adjustments in 1975, but since then, substantial wage and salary increases have taken effect and once again direct revenues are proportionately low.

Greece's total tax revenue as a percentage of GNP is also low in comparison with other European nations. This condition is not unusual for a developing country, but as Greece continues to industrialize and improve her economic capability, her government will need more funding to maintain the higher standards. Most Community nations have tax systems which provide revenues equal to more than one-third of total GNP.

TABLE A-12

GREEK TAX STRUCTURE

	1975		1976		1977*		Percent change previous year	
	Billion Dr	Percent total	Billion Dr	Percent total	Billion Dr	Percent total	1976	1977
Direct Taxes	29.6	21	47.9	27	48.1	24	61.8	0.6
Indirect Taxes	91.1	66	113.2	65	136.8	68	24.0	21.1
Nontax Revenue	16.5	13	12.9	8	15.0	8	-21.8	16.3
Total Revenue	137.2		173.8		200.0			

* forecast

Source: <u>OECD Survey Greece 1977</u>, p. 22.

TABLE A-13

TAX STRUCTURE — GREECE AND EEC
(percent GNP — 1974)

	Total tax revenue	Income and profits	Other taxes	Personal income
Greece	22.4	3.8	4.6	2.4
Belgium	38.1	14.3	1.1	11.2
France	37.5	7.2	1.9	4.1
Germany	37.6	13.3	1.6	11.4
Ireland	32.4	9.5	3.7	7.4
Italy	31.9	6.5	1.3	4.9
Netherlands	45.2	15.5	1.7	10.7
UK	35.6	15.4	4.5	12.5

Source: <u>OECD Survey Greece 1977</u>, p. 24.

MONEY SUPPLY

The money supply is defined as notes, coins and sight deposits.

The Greek government elected to limit the money supply in late 1976 and 1977 to restrain rising prices. Seasonally adjusted figures for this period show that the measures took effect and the supply stabilized. However, to prevent further inflationary tendencies, officials will have to continue to maintain close control over money availability.

The EC faced similar inflationary possibilities coupled with a sluggish economy in 1976 and the European Commission in their annual report proposed monetary policy measures which would "get the economy moving again while at the same time strictly limiting the supply of money," a difficult course to follow in all EC nations.[10]

Since the end of 1976, for example, the Bank of England has let the pound sterling float and by October 1977 Britains' foreign exchange reserves rose from $4.5 billion to over $20 billion. This caused a 13 percent increase in the British money supply with two months still remaining in the year and could have touched off another round of ruinous inflation if not checked.[11] The rest of the Community faces money supply restraints as well although not as profound as Britain's.

TABLE A-14

GREEK MONEY SUPPLY
(percent increase from previous year)

	1976	1977
Total money supply	24.1	17.1
Currency in circulation	21.9	18.5
Sight deposits	29.6	13.8

Source: Zolotas, Summary of the Statement of the Governor, 1978, p. 18.

TABLE A-15

INCREASES IN MONEY SUPPLY
GREECE AND EEC
(seasonally adjusted end of period)
(percent)

	1974	1975	1976
Greece	20	16	21
Belgium	6	15	6
Denmark	4	29	4
France	14	12	2
Germany	11	14	3
Ireland	8	19	17
Italy	9	13	18
Luxembourg	-	not reported	-
Netherlands	12	19	5
UK	10	18	10
EEC average	9.25	17.37	8.75

Source: International Financial Statistics, Aug 1977.

FOOTNOTES

APPENDIX

[1] Statistical Yearbook, 444.

[2] Zolotas, Statement of the Governor, 1978, 1.

[3] Tenth General Report of the Activities of the European Communities (Belgium: European Economic Community, 1977), 113.

[4] Zolotas, Statement of the Governor, 1978, 18.

[5] OECD Survey, 12.

[6] "British Jobless Level Reaches 1,635,950," Monterey Peninsula Herald, Aug 23, 1977, 24.

[7] Tenth General Report, 113.

[8] Greece Monthly Record, May 77, 3.

[9] Tenth General Report, 114.

[10] Ibid., 17.

[11] Takashi Oka, "European Community's Choice: A Cozy Club or Helping the Poor," Christian Science Monitor, May 24, 1977, 3.

BIBLIOGRAPHY

MAJOR WORKS

Annual Industrial Survey For Greece. Athens: Greek National Statistic Service, 1973.

Bernard, Major John F. The Greek Dilemma. Maxwell AFB, Ala., 1974.

Clogg, Richard and Yannopoulos, George. Greece Under Military Rule. New York: Basic Books, Inc., 1972.

Defense Foreign Affairs Handbook, 1976-77. Washington: Copley and Associates, 1976.

Direction of Trade. Washington: International Monetary Fund, 1977. August 1977.

Economic Development Issues: Greece, Israel, Taiwan and Thailand. Committee for Economic Development. Supplementary Paper No. 25. New York: Frederick A. Praeger, 1968.

Ellis, Howard. Industrial Capital in Greek Development. Center of Economic Research. Athens: Cantos Press, Co., 1964.

The Facts. New York: European Community Information Service, 1974.

Foreign Assistance and Related Programs — Appropriations, Fiscal Year 1977. Washington, D.C.: US Government Printing Office, 1976.

Greece: Business in Greece. Menlo Park, Ca: Stanford Research Institute, 1974.

Herrick, Allison, B. Area Handbook for Greece. Washington: US Government Printing Office, 1970.

Hitiris, Theodore. Trade Effects of Economic Association with the Common Market: The Case of Greece. New York: Praeger, 1972.

Intelligence Report — Greece. Greenwich, Conn.: Defense and Aerospace Marketing Services, 1977.

Kousoulas, D. G. Modern Greece, Profile of a Nation. New York: Scribners, 1974.

Larrabee, F. Stephen. Balkan Security. Adelphi Papers No. 135. London: International Institute for Strategic Studies, 1977.

Legg, Keith R. Politics in Modern Greece. Stanford, Ca: Stanford University Press, 1969.

The Military Balance. Institute for Strategic Studies. New York: Praeger Publishers, 1975, 1976.

Multinationals: The View from Europe, 1975. Report on the Seventh Meeting of Members of Congress and the European Parliament, April 1975. Washington, D.C.: US Government Printing Office, 1975.

OECD Economic Survey: Greece 1977. Paris: Organization for Economic Cooperation and Development, 1977.

Papandreou, Andreas. Democracy at Gunpoint. New York: Doubleday and Co., 1970.

Post Report - Greece. US Department of State. Washington: US Government Printing Office, 1974 (Supplemented).

Priamou, J.L. Marketing In Greece. US Domestic and International Business Administration, Overseas Business Reports No. 74-11 and 76-17. Washington: US Government Printing Office, 1974, 1976.

Sibley, Scott F. Mineral Industry of Greece. Minerals Yearbook, 1974, US Bureau of Mines, Department of the Interior. Washington: US Government Printing Office, 1974.

Spero, Joan Edelman. The Politics of International Economic Relations. New York: St. Martin's Press, 1977.

Statistical Yearbook of Greece. Athens: Greek National Statistic Service, 1976.

Tenth General Report of the Activities of the European Communities. Belgium: European Economic Community, 1977.

Twenty-Eighth Annual Report on Exchange Restrictions 1977. Washington: International Monetary Fund, 1977.

Vatikiotis, P.J. Greece: A Political Essay. Beverly Hills, Ca: Sage Publications, 1974.

Vouras, Paul P. The Changing Economy of Northern Greece Since World War II. Washington: National Academy of Sciences, 1962.

Weintraub, D. and Shapira, A. Rural Reconstruction in Greece. Beverly Hills, Ca: Sage Publications, 1975.

Yannopoulos, George N. Greece and the EEC: The First Decade of a Troubled Association. Beverly Hills, Ca: Sage Publications, 1975.

Zolotas, Xenophon. Greece in the European Community. Bank of Greece Papers No. 33. Athens: Bank of Greece, 1976.

________. International Monetary Issues and Development Policies. Athens: Bank of Greece, 1977.

________. Summary of the Statement of the Governor. Annual Shareholders Meeting, April 1976. Athens: Bank of Greece, 1976.

________. Summary of the Statement of the Governor. Annual Shareholders Meeting, April 1977. Athens: Bank of Greece, 1977.

________. Summary of the Statement of the Governor. Annual Shareholders Meeting, April 1978. Athens: Bank of Greece, 1978.

PERIODICALS

"And Greece Makes Ten?" Economist, 258 (Jan 31, 1976), 55-6.

"And Greece Makes Ten?: Economist, 260 (Aug 14, 1976), 59-60+.

Anthem, Thomas. "Communism in Greece." Contemporary Review, 206 (May 8, 1965), 234-8.

Aust, Michael. "Full Speed Ahead for Growing Greek Merchant Fleet." Christian Science Monitor, Mar 13, 1978, B12.

"British Jobless Level Reaches 1,635,950." Monterey Peninsula Herald, Aug 23, 1977, 24.

Clift, Geremy. "Migrant-Go-Home Grants Stir Storm for France." Christian Science Monitor, Oct 19, 1977, 19.

Clogg, Richard. "Karamanlis Cautious Success, 1955-63." Government and Opposition, 10 (Sum 1975), 332-53.

Cooley, John K. "Faltering Economy May Hold Up Greece's Bid to Europe." Christian Science Monitor, May 27, 1977, 18.

__________. "Joint Oil Venture by Greece, Turkey Urged." Christian Science Monitor, May 26, 1977, 17.

__________. "New Greek Aircraft Facility to Serve Mideast, NATO." Christian Science Monitor, Jan 6, 1977, 9.

Cummings, L.L. "Managerial Attitudes of Greece." Administrative Science Quarterly, 17 (Jun 1972), 265-73.

Cutter, Melissa. "Greece Seeks Off-season Tourism Hike, Better Services." Christian Science Monitor, Oct 25, 1977, 33.

"Deal With Niarchos." Economist, 261 (Dec 11, 1976), 114.

Dillin, John. "The High Cost of New Oil Tankers." Christian Science Monitor, Aug 24, 1977, 5.

__________. "US Going Protectionist on Tankers." Christian Science Monitor, Aug 23, 1977, 1.

"EC to Delay Entry of New Members." The Journal of Commerce, May 24, 1977.

Economic and Statistical Bulletin. National Bank of Greece, Mar-Apr 1975, Jul-Aug 1975, Sep-Oct 1975, Nov-Dec 1975, Sep-Oct 1976, Nov-Dec 1976.

Edlund, Bjorn. "Swedes Told Immigrants Not Taking Away Jobs." Christian Science Monitor, Oct 26, 1977, 26.

"The Elimination of Non-tariff Barriers in Intra-Community Trade." European Documentation, 1976-2.

European Community, Jul-Aug 1977.

"The European Community and the Developing Countries." European Documentation, 1977-1.

"The European Community's External Trade 1958-1974." European Documentation, 1976-1.

Francis, David R. "'Take it Easy,' IMF Urges." Christian Science Monitor, Sep 12, 1977, 14.

"Gently Does It." Economist, 255 (Jun 21, 1975), 22.

"Greece." <u>Translations on Western Europe</u> (JPRS), No. 809, Jan 12, 1976, 50-1.

"Greece." <u>Translations on Western Europe</u>, No. 817 (Jan 27, 1976), 19-22.

<u>Greece: A Monthly Record</u>, Jan-Dec 1976, Jan-Sep 1977.

"Greece and the European Community." <u>External Relations Information Bulletin</u> 124/76, Commission of the EC.

"Greece and the European Community, From Association to Accession." Greek Press and Information Service, <u>Occasional Paper No. 5</u>, Sep 20, 1977.

"Greece, Economic Activity and Development." Hellenews Organization, <u>Express</u>, Dec 1976.

"Greece In — How Many More?" <u>Economist</u> 258 (Feb 14, 1976), 67-8.

"Greece: Special Report." <u>The Times</u>, Mar 18, 1975, i-viii.

"Greek Glory." <u>Economist</u>, 259 (May 29, 1976), 96.

"Greek Shipping: A Special Report." <u>The Times</u>, Nov 22, 1975, i-iv.

<u>Greek World</u>, Jul-Aug 1977.

Hellenic Red Cross, Letter to Author, Oct 11, 1977.

"How Christina's Doing." <u>Time</u>, Aug 8, 1977, 69.

"Hurry in Regardless." <u>Economist</u>, 262 (Jan 15, 1977), 50.

Kitsikis, Dimitri. "Greek Communists and the Karamanlis Government." <u>Problems of Communism</u>, XXVI (Jan-Feb 1977), 42-56.

"Labyrinthine Deliberations." <u>Economist</u>, 256 (Aug 2, 1975), 43.

Legg, Keith R. "Political Change in a Clientelistic Polity." <u>Journal of Political and Military Sociology</u>, 1 (2) (1973), 231-46.

Lianos, T.P. "Capital-Labor Substitution in a Developed Country: Greece." <u>European Economic Review</u>, 6 (Apr 1975), 129-41.

Macridis, Roy C. "Democracy in Greece: For How Long?" <u>Virginia Quarterly Review</u>: 51 (Autumn 1975), 531-50.

Margaronis, Stas. "The Struggle for Democracy Has Just Begun." Journal of Hellenic Diaspora, Apr 1975, 9-21.

Markesinis, Basil. S. "Recent Political and Constitutional Developments in Greece." Parliamentary Affairs, 28 (3) (1975), 261-77.

"Market Profile — Greece." Overseas Business Reports, 77-04 (Feb 77), 13.

Mellas, Peter. "Karamanlis Seeks A New Mandate." Christian Science Monitor, Nov 2, 1977, 15.

"Merchants Say 'Go East' to Top Mideast Petrodollars." Christian Science Monitor, Mar 13, 1978, B8.

"Migrant Workers and the European Community." European Report. No. 327 (May 22, 1976).

Millas, Helen. "Hospitality, History, Beauty Attract More Tourists Than Ever Before." Christian Science Monitor, Mar 13, 1978, B6.

Milligan, Stephen. "The Greek — EC Love Affair." European Community, Mar 1976, 17-19.

________. "The Nine Ponder Enlargement." European Community, Sep/Oct 1977, 8.

"New Brooms." Economist, 258 (Jan 17, 1976), 96+.

"No Siesta Policy Draws Yawns in Greece." Christian Science Monitor, Jun 20, 1977, 23.

Noël, Emile. Working Together. The Commission of the European Communities. Yeovil, England: Edwin Sneil Printers, (no date).

Oka, Takashi. "European Community's Choice: A Cozy Club or Helping the Poor." Christian Science Monitor, May 24, 1977, 3.

"Onassis: Bargaining From Weakness." Economist, 254 (Feb 1, 1975), 78.

"Opinion on Greek Application for Membership." Bulletin of the European Communities, Supplement 2/1976.

Pavlopoulos, P.G. "Determining Factors of Inter-industry Wage Level Differences in Greek Manufacturing." European Economic Review, 6 (Jan 75), 59-75.

Pezmazoglu, John. "Greece Proposes Accession to the EEC." _World Today_, 32 (Apr 1976), 142-51. An excellent review of the major factors pertaining to Greek accession to the EEC.

"Pre-Membership be Damned." _Economist_, 258 (Feb 7, 1976), 56+.

Quarterly Economic Review of Greece. I-IV 1975 plus supp, I-IV 1976 plus supp, I-III 1977.

"Racial Time Bomb." _Time_, Aug 8, 1977, 41.

"Radical Changes Needed to Increase Economic Efficiency." _Translations on Western Europe_ (JPRS), 742 (Aug 26, 1975), 10-17.

Ray, George F. "Short Term Forecasting in Europe." _European Economic Review_, 1 (2) (Winter 1969), 275-306.

"Report of the Recommendations Adopted by the EEC-Greece Joint Parliamentary Committee." _European Parliament Working Documents 1976-77_, 546/76 (Feb 4, 1977).

Roberts, Steve. "Greece Is Facing An Uphill Fight For Admission to the Common Market." _New York Times_, Jan 24, 1977, 6.

Samuelson, Paul A. "The Greek Tragedy." _Newsweek_, May 22, 1967, 89.

Sinclaire, Joan. "Greece Means A Trip to the Isles." _Christian Science Monitor_, Oct 25, 1977, 30.

"Ships and Chauvinism." _Newsweek_, Oct 17, 1977, 82.

"They Wish Us to Hell." _Time_, Oct 10, 1977, 58.

Tindemans, Leo. "European Union." Report to the European Council, _Bulletin of the European Community_, Supplement 1/76.

"Trade War Nags Greek Shipping." _Christian Science Monitor_, Sep 14, 1977, 11.

Trade with Greece Newsletter, Jun 1977.

Tsaklanganos, Angelos A. "Greece Bounces Back." _Christian Science Monitor_, Aug 23, 1977, 27.

"A Turning Point for European Migration," _OECD Observer_, Jul-Aug, 1975.

US Department of State. Embassy Report, American Embassy Athens, Feb 1977.

__________. Telegram from AmEmbassy, Athens, Mar 11, 1977.

__________. Airgram from AmEmbassy, Athens, Apr 25, 1977.

__________. Airgram from AmEmbassy, Athens, May 4, 1977.

__________. Institutions and Policy Coordination Briefs, No. 416, Jun 11, 1977.

__________. "Europe (New Series)," No. 2147 (Feb 1, 1977), No. 2190 (Apr 2, 1977), No. 2212 (May 7, 1977).

Wall, Michael. "The Two Faces of Greece, A Survey." <u>Economist</u>, Jul 31, 1971.

Wall, Michael, and Radice, Jonathan. "A Survey of Greece." <u>Economist</u>, Sep 20, 1975.

Weaver, Mary Anne. "Greek Premier Hopes to Put His Nation into Modern Era." <u>Monterey Peninsula Herald</u>, Mar 6, 1977, 5B.

__________. "Scattered Greeks Go Home Again." <u>Monterey Peninsula Herald</u>, Jul 31, 1977, 7B.

__________. "Thrace Minority Retains Identity." <u>Monterey Peninsula Herald</u>, Jun 12, 1977, 4.

"We Want It." <u>Economist</u>, 256 (Jul 26, 1975), 32.

<u>Western Europe</u>. Foreign Broadcast and Information Service. Jan 5, 18, 19; Feb 1, 8, 28; Mar 2, 4, 8, 9, 31; Apr 4; May 2; Jun 13; Jul 7, 26; Aug 31; Sep 12; Oct 4.

INITIAL DISTRIBUTION LIST

		No. Copies
1.	Defense Documentation Center Cameron Station Alexandria, VA 22314	2
2.	Library, Code 0142 Naval Postgraduate School Monterey, CA 93940	2
3.	Department Chairman, Code 56 Department of National Security Affairs Naval Postgraduate School Monterey, CA 93940	2
4.	LT COL David P. Burke, Code 56 Department of National Security Affairs Naval Postgraduate School Monterey, CA 93940	4
5.	Professor Jiri Valenta, Code 56 Department of National Security Affairs Naval Postgraduate School Monterey, CA 93940	8
6.	COL James C. Keenan AFIS/INH Fort Belvoir, VA 22060	1
7.	MAJ Charles Earnhart AFIT/CIP Wright Patterson AFB, OH 45433	2
8.	USAF Air University Library Maxwell AFB, ALA 36112	2
9.	USAF Academy Library USAF Academy, CO 80840	1
10.	Major Frederick W. Butler c/o McClure 3620 Royal Palm Dr Va Beach, Va 23452	10
11.	University of Cincinnati Library University of Cincinnati Cincinnati, Ohio 45221	2

		No. Copies
12.	National War College/Library Fort Lesley J. McNair 4th and P Streets SW Washington, D.C. 20319	2
13.	Armed Forces Staff College/Library	1
14.	Army War College/Library Carlisle Barracks, PA 17013	1
15.	Professor R.H.S. Stolfi, Code 56 Department of National Security Affairs Naval Postgraduate School Monterey, CA 93940	1
16.	M.I.F.S. Library Monterey Institute of Foreign Studies 425 Van Buren Monterey, CA 93940	2
17.	The Hoover Institution on War and Peace ATTN: Mr. Nick Pappas Stanford University Stanford, CA 94305	2

Thesis 180103
B944 Butler
c.1 Greece and the European economic community.